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ABSTRACT

Appointed in 1978, the New York State Special Task Force on Equity and Excellence in Education was charged with improving educational equity in the state. This volume of the report first presents seven alternative school finance plans developed by the task force to demonstrate how its recommendations could be implemented. The report notes each plan's characteristics regarding minimum state aid guarantees, pupil count, student needs, school district fiscal capacity, equity effects, and special features. It also presents recommendations and task force members' statements on the plans' costs and implementation. The volume also contains task force research results and proposals on state aid programs affecting transportation, building, and cooperative provision of educational services. Suggestions about how to help city school districts with constitutional tax limits are also outlined, as are the results of a study of the use of income taxes as "circuit breakers" to reduce unfair property tax burdens. Appendices provide a proposed state aid adjustment formula based on municipal overburden, plus cost-of-living indices for New York State's counties. (Author/RW)

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The Report and Recommendations

of

The New York State Special Task Force on Equity and Excellence in Education

February 1982

EA 014 810

Volume Three

NEW YORK STATE SPECIAL TASK FORCE ON EQUITY AND EXCELLENCE IN EDUCATION

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Summary of Recommendations
Introduction
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Major Recommendations:
Basic Formula Structure
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Fiscal Capacity
Overburdens

A bibliography of Task Force research and proceedings may be obtained from the office of Dr. Robert Lamitie, State Education Department.

INTRODUCTION

The Task Force on Equity and Excellence in Education was appointed in September 1978 by Governor Hugh L. Carey and Board of Regents' Chancellor Theodore L. Black. Its charge was to recommend alternative systems of financing education in New York State in response to a June 1978 State Supreme Court decision in Levittown v. Nyquist which declared the state's existing funding method unconstitutional. The Appellate Division, Second Department, substantially upheld this ruling in October 1981, and hearings are scheduled for May 1982 in the Court of Appeals.

This volume of the Report of the Task Force includes a series of illustrative school finance plans. Their purpose is to demonstrate how the options the Task Force recommends could be implemented keeping in mind the dual goals of constitutional acceptability and fiscal soundness.

There are many methods for correcting school finance inequities and a variety of ways to connect options into a reformed school finance system. Recommendations, although responding to the same problem, result in very different financial outcomes. Each option will affect districts variously as any change will benefit some more than others.

Knowing this, the Task Force throughout its deliberations examined well over three hundred school finance plans before suggesting those that it would put forth as illustrative of its recommendations.

This volume reports the efforts of the Task Force to provide a range of school finance plans which it feels would respond to the finance inequities it has documented. In addition, Volume Three contains Task Force proposals for other aids, including transportation, building, and Boards of Cooperative Educational Services (BOCES), as well as

circuit breakers and relief for cities with constitutional tax limitations. Volume One contains a summary of the recommendations of the Task Force and a summary of the commissioned research. Volume Two provides a comprehensive examination of all the recommendations.

Along with the discussions of the alternative proposals in this volume are included the individual statements of some Task Force members who wished to comment further. A tally of the preferences of each member, as voted, appears following Chapter IV.

I. OVERVIEW OF THE SEVEN ILLUSTRATIVE PLANS

The illustrative school finance plans presented here demonstrate how Task Force members felt recommendations could be packaged for implementation. Seven alternative packages are included. They represent differing views with respect to the Levittown issues, expenditure gap closure, student equity, measuring fiscal capacity, total cost and distribution of state aid increases. Generally, however, each of the plans makes significant progress toward reducing the disparity in district expenditures and the close association of expenditures with district wealth.

As of school year 1981-82, the expenditure disparity among 80 percent of the students was $1,720.* (See Table 1.) The seven packages would reduce the expenditure gap by a minimum of 16 percent and a maximum of about 35 percent. All of the plans would succeed in reducing the dependence of expenditures on local property wealth to an even greater extent.

An essential difference among the packages is the expenditure ceilings on which they are premised. They fall into two categories. Three of the seven packages reflect the recommendation that the state should increase the first tier up to the average approved operating expenditure per pupil and the second tier up to the 75th percentile of spending. The four other packages are based on the alternative proposal that state aid be provided up to a mid-range spending level which is the 50th percentile for the first tier with a smaller increase up to the 60th percentile of spending for the second tier. As has been pointed out in the discussion of Task Force recommendations (Volume Two) the levels at which the expenditure ceilings are set effectively determine how much the state will contribute to each child's education.

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*Based on the expenditures per pupil of districts spending between the 10th and 90th percentile computed using average daily attendance. (The range is reduced when this expenditure disparity is recomputed using active enrollment.)

Spending requirements are an important element of all the packages. They affect the total cost and the degree to which the expenditure gap is closed. All districts must spend at the second tier aid level in order to receive the full amount under all plans. However, the plans do differ with respect to the level of spending required for tier one aid. Most plans are based on a modified spending requirement, while two have no requirement.

Two other important differences in approach distinquish these plans from one another. They are the measurement of district fiscal capacity and the treatment of special student needs. Of the three packages based on higher expenditure ceilings, two define fiscal capacity according to an income per capita factor weighted equally with full property value while the other did not. Three of the other four packages with the lower ceilings define and use income in various ways: per pupil in a separate formula; and either per return or per capita combined equally with property wealth. One of these plans excludes income.

Although all packages recognize the additional cost of financing special student needs, they do so differently. With respect to the educationally disadvantaged and limited English proficiency students, all packages use weightings which are higher than those currently used. Some of the plans are based on slightly lower student weightings but calculate eligibility using test score data averaged over a longer period of time.

Formula treatment of students with handicapping conditions differs substantially among all of the plans. Reflecting the concern about the adequacy of current funding for the handicapped, the packages demonstrate alternative funding schemes. All but two of the packages generate additional handicapped aid for districts outside of the operating aid formula. The other two packages fold all aid for the handicapped into the operating aid formula.

As the discussion of individual issues indicates, there is a diversity of opinion which is also reflected in the illustrative packages. Each stresses different goals and therefore contains different elements. The packages range in cost from about $500 million to $1.6 billion in addition to what the state is currently spending for operating aid, handicapped state assistance, high tax aid, diagnostic screening aid, low income supplemental school aid, and limited English proficiency aid.

Table 1: Summary of the Current School Finance Formula, New York State 1981-82

Characteristics	Current Year Formula Based On 1981-82 Expenditures	Current Year Formula Based On 1982-83 Estimated Expenditures	
		Including Flat Grant and Save harmless	Excluding Flat Grant and Save harmless
Tier 1:			
Expenditure Level Per Pupil	$1,650	$1,650	$1,650
Percentile of Spending	1st	1st	1st
Tier 2:			
Expenditure Level Per Pupil	$1,885	$1,885	$1,885
Percentile of Spending	3rd	3rd	3rd
Cost of Program (Billions)	$3.303*	$3.392	$3.187
Districts with Aid Decreases		97	646
Dollars Lost (Millions)		-$0.7	-$116.2
Equity Goals**			
Expenditure Disparity 90th/10th Percentile	$1,719[a]	$1,715	$1,512
Coefficient of Variation[b]	.26	.26	.24
Property Wealth-Related Disparities[c]	.29	.29	.29
Income-Related Disparities[c]	.33	.32	.29

* Includes operating aid, save harmless, flat grant and excess cost aid for the handicapped, high tax, low income supplemental school aid, diagnostic screening aid, and limited English proficiency aid.

a. Calculated based on average daily attendance. Based on active enrollment, the disparity is about $1,564. Tables in this report are based on the different pupil counts used in each formula and are therefore not directly comparable. Comparisons should be made with care.

b. Percent of expenditure variation around the average expenditure per pupil.

c. The percentages used to gauge equity represent the percentage change in spending levels that is associated with a one percent increase in property wealth or income wealth.

CONTENT OF INDIVIDUAL PLANS

I. Packages with Expenditure Ceilings Set at the Average and 75th Percentile

PACKAGE 1(a)*:

The illustrative plan favored by the majority of members present and voting at the final meeting of the Task Force responds to all of the overburdens identified by the courts and rural overburden. Based on expenditure ceilings set at the average and 75th percentile, this package contains the following elements:

Spending Requirements:

Although proponents of plan 1(a) differ on the issue of spending requirements, this plan represents a compromise position. Many Task Force members believe that districts should receive the full amount of state aid as it would be an effective method for closing the expenditure gap. However, because the cost would be high in this plan, districts spending below the ceiling are aided on an amount which is halfway between what the district spends per pupil and the first tier ceiling. (Districts must spend at the second tier ceiling to receive the full amount of aid.) In this way the state establishes an inducement for districts to increase spending but does not penalize them for not reaching statutory expenditure levels. While making progress toward expenditure and wealth equalization, the limited spending requirement helps contain costs.

Minimum Guarantee:

Includes a minimum aid guarantee of $360 per pupil for all districts regardless of wealth and income. Calculated to be part of state aid, and not supplemental, this $360 minimum aid guarantee neither increases total costs nor expenditure disparities above those which exist under current law.

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* This package received 17 votes from the 32 Task Force members present. These were Amlung, Barell, Barr, Best, Breen, Corbett, Dukes, Gray, Griffin, Hobart, Macchiarola, Manch, Robisch, Samter, Schiff, Shanker, and Torres. Separate votes were not taken on the remaining plans. Dr. Miller asked to be recorded in favor of Plan 2b. Individual statements by Task Force members are included at the end of this chapter.

Pupil Count:

This package recognizes the financial burdens borne by districts with high rates of absenteeism and therefore is based completely on active enrollment.

A change from the current attendance based pupil count to an active enrollment pupil count would alter greatly the disparity in spending. The expenditure gap for school years 1981-82 would be reduced from approximately $1720 to $1565.

Student Need Factors:

Pupils with Special Educational Needs--This plan includes an additional 35 percent weight for students requiring special remediation programs. It also includes a concentration provision which provides additional aid to districts with more than 25 percent of their student population requiring compensatory education. Distributed through a separate equalized categorical formula for three groups of high need districts, it does not affect those that do not qualify for it. Districts with concentrations of between 25 and 30 percent would receive $100 per pupil, those with between 30 and 35 percent would receive an additional $150 per pupil and districts with over 35 percent would receive an additional $200 per pupil. The statewide cost is estimated at approximately $48 million of which a substantial amount goes to the Big Five city districts.

Limited English Proficiency--Students requiring educational assistance are weighted an additional 40 percent as suggested by Task Force research.

Handicapped--This plan includes an estimated excess cost program which would provide approximately all of the approved actual excess cost of educating the handicapped. Because this excess cost formula would require additional information, it is an approximation of the recommendation.

Using this approach, aid for the handicapped would be increased by about $366 million. This represents about 24 percent of the total increase in aid generated by this package.

Measurement of Wealth:

Package 1(a) combines property per pupil with income per capita. The pupil weightings are reflected in the property measure and not the income factor. Each is given equal weight and combined multiplicatively.

Overburden Adjustments:

Rural Schools -- This package includes special assistance in the form of a pupil weighting for rural districts which are both sparsely populated (less than 23 pupils per square mile) and have fewer than 1,000 pupils in total enrollment. Pupils in qualifying districts would receive an additional K-12 pupil weighting ranging from .01 to .25 depending on the size of the district, the fewer the pupils, the greater the weighting.

This adjustment would cost about $10 million and would provide additional assistance to 144 rural districts.

Municipal Overburden -- A scaled, or limited adjustment to the fiscal capacity measure has been developed and included in this package.* It combines the percentage of poverty in a district with its non-school tax burden and is indexed against the state average of these two factors. It is applied only to the property per pupil portion of the fiscal capacity measure. It is limited so that district capacity cannot be reduced by more than 7 percent. This is an example of how a formula element can be scaled in order to contain total cost.

It would provide additional funding to 360 districts and would cost $56 million. Aid would be provided to the Big Five city districts and to districts with proportionately higher non-school tax rates and considerable poverty.

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*See appendix for description of the municipal overburden factor used to adjust the fiscal capacity measure.

Cost Overburden:

A significantly scaled down version of the county public sector wage index * has been included.

It is a regional cost index based on the wages of all public employees within the county. The data for this index is contained in the U.S. Bureau of the Census County Government Series, published every five years. This adjustment is applied to the fiscal capacity measure, so that it targets additional aid to lower wealth districts in higher cost regions of the state. No district would lose aid. In its original form, this index would have required over $1 billion to fund it.

It has been substantially scaled down, and would cost $74 million. Districts in seventeen of the 62 counties would qualify for aid and the majority of it is distributed within the New York metropolitan and the Hudson Valley regions. Upstate counties such as Erie and Monroe would also receive some additional assistance.

Cost and Equity:

The total cost of plan 1(a) would be $4.76 billion, an increase of $1.45 billion over current state aid.** On average, districts would receive an increase of about $400 per pupil over current state aid. In school year 1981-82, districts will receive on average about $975 per pupil in state aid. Increases would be the largest for the Big Five cities, Hurd-affected cities and rural areas. This package specifically addresses each of the overburdens identified by the courts and would result in average increases of about $700 per pupil for the intervenor districts and $400 per pupil for the plaintiff districts. A sample of 48 districts which were identified as municipally overburdened would receive an increase of about $635 per pupil. Of the 250 nonmetropolitan school districts, 110 would receive additional assistance. Rural school districts therefore would receive average increases

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*See appendix for description and calculations of the County Public Sector Wage Index.

**Based on programs which accounted for $3.3 billion in state aid.

of $420 per pupil. Upstate and downstate suburbs would realize average aid increases of between $100 and $160 per pupil.

The equity of the finance system would be improved under plan 1(a). As of school year 1981-82 the expenditure disparity among districts between the 10th and the 90th percentile is $1720. If the current expenditure gap had been recalculated on the basis of active enrollment, the expenditure disparity would have been significantly altered to $1565. Basing state aid on active enrollment, and enacting the other reform components would further reduce the current expenditure gap to $1459. The effect that wealth has on district spending also would be substantially diminished under this plan. (See Chart 1(a).)

PACKAGE 1(b):

Although package 1(a) received the majority of votes, variations of it were also favored. Package 1(b) differs from package 1(a) in that it includes additional student need factors and the use of property per capita and income per capita as the fiscal capacity measure. It excludes a spending requirement, municipal overburden and cost overburden factors. Although it is similar in price, as an alternative to package 1(a) it demonstrates the costs and distribution of some other Task Force recommendations.

Spending Requirement:

A major difference between this illustrative package and plan 1(a) is the exclusion of a spending requirement for first tier aid. In the plan endorsed by the majority, districts spending below the ceiling received state aid on an amount halfway between spending and the first tier ceiling. This package grants full state aid without a spending requirement. As discussed in the recommendations of the Report of the Task Force (Volume Two) disbursing state aid without a requirement to spend generates larger state aid increases. It adds about $200 million to the cost of a reformed plan with tiers based on the state average expenditure and 75th percentile of spending.

Student Needs Factors:

Plan 1(b) provides a 25 percent additional weighting for students in kindergarten through the third grade and a 2 year declining enrollments provision. The cost of these two options is about $350 million--about $200 million for the declining enrollments provision and roughly $150 million for the K-3 grade weighting.

Like plan 1(a) it includes increased weightings for compensatory education, a concentration provision and a full excess cost formula for the handicapped.

Fiscal Capacity:

A majority of the Task Force members support the concept that the fiscal capacity measure should recognize the total service burden of communities. A population denominator (per capita) therefore is used to measure property wealth and income wealth.

A common misconception has been that fiscal capacity based on total population will increase the cost of reform. Its effect would likely be redistributive rather than dollar costly.

Overburden Adjustments:

While this package includes other features such as additional student weightings, declining enrollments and no district spending requirement, it does not include any special aid to compensate for municipal overburden and cost overburden. It does include the rural overburden adjustment as described in package 1(a).

Cost and Equity:

Package 1(b), although similar in cost to package 1(a), distributes aid in importantly different ways. Because local property and income wealth are expressed in per capita terms, cities would receive substantially more under this package, in spite of the absence of municipal overburden and cost overburden factors. For example, the Big Five cities would receive state aid increases of between $720 per pupil and $870 per pupil. Statewide average increases under plan 1(b) would be

similar to plan 1(a). Suburban school districts, particularly in Nassau and Suffolk, would receive significantly less and in some cases lose state aid. Contrary to what might be expected, rural areas would be aided slightly more by a per capita fiscal capacity measure than by a combined property wealth per pupil and income per capita measure. (See Table 2.) However, some of this additional assistance is the result of no requirement to spend.

A greater number of districts would lose a larger amount of state aid under package 1(b) than under 1(a), but the expenditure gap would be narrowed by the same margin in both plans. The degree to which property wealth and income wealth affect expenditure levels would also be reduced. (See Chart 1(b).)

PACKAGE 1(c):

Some Task Force members favor another variation that has similar cost implications but differs in its response to spending requirements, handicapped aid, and most particularly, the fiscal capacity measure.

Spending Requirement:

Similar to package 1(b) all districts receive their full amount of first tier state aid without regard to local spending.

Student Needs:

Package 1(c), unlike the other two packages, excludes a concentration factor. Similar to package 1(b) it includes a two-year declining enrollments provision. Unlike the other packages, this plan includes an equalization formula for excess cost aid, with an 85 percent state share for a district of average wealth. As a result, about $268 million would be distributed, about $100 million less than the 100 percent excess cost formula.

Declining Enrollments--The two year average pupil count that this plan includes accounts for about $200 million of the package cost.

Fiscal Capacity Measure:

What most distinguishes this package from the other two is that it exludes income entirely from the fiscal capacity measure. Furthermore, property wealth is measured on a per pupil basis.*

Overburdens:

Unlike package 1(a), this package contains a municipal overburden formula based on $10 per capita and distributed as a categorical program. Of the eighty-nine districts identified by the research undertaken by Professors Miner and Sacks, 53 were eligible for assistance. The total amount generated by this option is approximately $100 million.

Some districts, particularly the suburban district, would receive larger aid increases under plan 1(c) than either of the other two illustrative packages. This is due primarily to three features: the exclusion of income; no spending requirement; and a two-year declining enrollments provision.

District fiscal capacity is measured solely on the basis of weighted pupils. It would not be a significant departure from current practice and would continue to reflect the relatively larger proportions of students in suburbs than in other areas of the state. The lack of a spending requirement would also benefit low-spending districts of average or below average wealth.

Suburban districts would realize aid increases of between $150 per pupil to $230 per pupil. The Levittown plaintiff districts would be eligible for larger increases of about $580 per pupil. Cities would also receive above average aid increases. The Big Five cities would receive average increases of almost $600 per pupil. Hurd-affected cities would receive increases of about $396 per pupil.

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*The elasticity percentage used in Task Force simulations to assess wealth-related disparities can be somewhat disceptive and cannot be compared to other plans that are based on a different fiscal capacity measure. When the property measure is based on population a substantial amount of variation in property wealth throughout the state tends to be automatically reduced.

Cost and Equity:

Of the three variations of Package 1 whose expenditure ceilings are set at the state average and the 75th percentile, this plan results in the smallest reduction in aid to the fewest numbers of districts. Nearly 600 districts benefit, with a net average increase in state aid of almost $380 per pupil.

This package would cost approximately $4.7 billion an increase of 41 percent or almost $1.4 billion. It would make substantial progress toward closing the expenditure gap. For example, the expenditure gap as of school year 1981-82 is estimated to be $1720, but reflects the distribution of state aid based on attendance. If the current expenditure gap were to be adjusted to reflect the active enrollment recommendation, then this gap would be reduced to $1565. Other changes as illustrated under plan 1(c) would shave another $234 off the expenditure gap resulting in an expenditure range of $1330 between the 10th and 90th percentile of spending. Moreover, the role that property wealth plays in the determination of district expenditures would be diminished greatly.

SUMMARY OF ALTERNATIVE PLAN 1a

Description of Plan

Basic Formula

- Basic Pupil Count..... Active enrollment
- Tier 1 Ceiling..... State average expenditure/pupil ($2,300)
- Tier 2 Ceiling..... 75th percentile of expenditure/pupil ($2,450)
- Spending Requirement.. Tier 1 aid paid halfway between expenditure and ceiling
- Minimum Aid..... $360/pupil
- Wealth Measure..... Property/pupil x income/capita

Additional Pupil Weights

PSEN.....35%	K-3..... 0%
LEP.....40%	7-12.....25%

PSEN Concentration Adjustment.....Yes

Special Features

- Declining Enrollment Provision..... None
- Municipal Adjustment... ..... Scaled fiscal capacity adjustment
- Cost Adjustment..... Scaled county wage index
- Rural Adjustment..... Yes
- Prekindergarten Aid..... None
- Gifted/Talented..... Yes

Excess Cost Aid for the Handicapped

All approved excess cost paid by state

Cost/Impact of Plan*

Cost (millions):	Total	Increase over 1981-82
Operating Aid	$4,093	$1,084
Handicapped Aid	668	366
Total	$4,761	$1,450

Impact

- Number of Districts with Aid Increases.....575
- Number of Districts with Aid Decreases.....132
- Amount of Aid Lost.....$107 million
- Estimated Spending Disparity.....$1,459 [a]
- Estimated Reduction of Wealth Related Disparities....31% [b]

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*Note: Amounts for prekindergarten and gifted/talented aid not included.

a. Based on the range of expenditures per pupil from the 10th-90th percentile.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

SUMMARY OF ALTERNATIVE PLAN 1b

Description of Plan

Basic Formula

Basic Pupil Count	Active enrollment
Tier 1 Ceiling	State average expenditure/pupil ($2,150)
Tier 2 Ceiling	75th percentile of expenditure/pupil ($2,250)
Spending Requirement	None
Minimum Aid	$360/pupil
Wealth Measure	Property/capita x income/capita

Additional Pupil Weights

PSEN....35%	K-3....25%
LEP....40%	7-12....25%
PSEN Concentration Adjustment	Yes

Special Features

Declining Enrollment Provision	Yes: two year average
Municipal Adjustment	None
Cost Adjustment	None
Rural Adjustment	Yes
Prekindergarten Aid	Yes categorical (not included)
Gifted/Talented Aid	Yes

Excess Cost Aid for the Handicapped

All approved excess cost paid by state

Cost Impact of Plan*

Cost (millions):	Total	Increase over 1981-82
Operating Aid	$4,286	$1,286
Handicapped Aid	625	322
Total	$4,911	$1,608

Impact

Number of Districts with Aid Increases	553
Number of Districts with Aid Decreases	154
Amount of Aid Lost	$197 million
Estimated Spending Disparity	$1,459a
Estimated Reduction of Wealth Related Disparities	66% b

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* Note: Amounts for prekindergarten and gifted/talented aid not included.

a. Based on the range of expenditures per pupil from the 10th to the 90th percentile of spending.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

SUMMARY OF ALTERNATIVE PLAN 1c

Description of Plan

Basic Formula

Basic Pupil Count	Active enrollment
Tier 1 Ceiling	State average expenditure/pupil ($2,300)
Tier 2 Ceiling	75th percentile of expenditure/pupil ($2,450)
Spending Requirement	None
Minimum Aid	$360/pupil
Wealth Measure	Property/pupil

Additional Pupil Weights

PSEN	35%	K-3	0%
LEP	40%	7-12	25%
PSEN Concentration Adjustment	None		

Special Features

Declining Enrollment Provision	Yes: 2 year average
Municipal Adjustment	Yes: categorical
Cost Adjustment	None
Rural Adjustment	Yes
Prekindergarten Aid	None
Gifted/Talented	Yes

Excess Cost Aid

Current Private Excess Cost Aid Formula used for all excess cost (re: equalized at 85% of approved excess cost)

Cost/Impact of Plan*

Cost (millions);	Total	Increase over 1981-82
Operating Aid	$4,097	$1,096
Handicapped Aid	570	268
Total	$4,667	$1,364

Impact

Number of Districts with Aid Increases	596
Number of Districts with Aid Decreases	106
Amount of Aid Lost	$25 million
Estimated Spending Disparity	$1,429[a]
Estimated Reduction of Wealth Related Disparities	34%[b]

* Note: Amounts for prekindergarten and gifted/talented aid not included.

a. Based on the range of expenditures per pupil from the 10th to the 90th percentile of spending.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

Table 2

Distribution of Estimated State Aid Increases
Under Alternative School Finance Plans:
Plan 1, New York State, 1982-83

Selected Districts	Number of School Districts	Estimated Change in State Aid Per Pupil		
		Package 1a	Package 1b	Package 1c
		Net Change	Net Change	Net Change
State Average	707	$ 403	$ 410	$ 377
Big Five Cities:				
Buffalo	1	$ 694	$ 867	$ 575
Rochester	1	$ 731	$ 721	$ 602
Syracuse	1	$ 584	$ 791	$ 449
Yonkers	1	$ 479	$ 828	$ 418
New York City	1	$ 694	$ 744	$ 581
Upstate Metro:	270	$ 185	$ 174	$ 260
Cities	30	$ 390	$ 501	$ 373
Suburbs	240	$ 132	$ 88	$ 230
Rockland, Putnam, Westchester	53	$ 117	$ 107	$ 146
Nassau-Suffolk	121	$ 163	$- 7	$ 217
Nonmetropolitan Areas	253	$ 393	$ 413	$ 301
Rural	201	$ 419	$ 417	$ 303
Municipally Over-burdened	48	$ 634	$ 692	$ 544
Hurd-affected	24	$ 419	$ 522	$ 389
Levittown-plaintiffs	26	$ 393	$ 135	$ 341
Levittown-intervenors	4	$ 693	$ 749	$ 578

II. Packages with Expenditure Ceilings Set at the 50th Percentile and the 60th Percentile

PACKAGE 2(a)

A second package of illustrative school finance plans was endorsed by Task Force members. There are four variations of this package, all of which contain several important ingredients toward a reformed school finance plan. Of the illustrative formula packages the Task Force recommends, these are perhaps the most simple, and least costly. They would also make significant progress toward narrowing expenditure disparities.

Based on expenditure ceilings set at the 50th percentile and the 60th percentile for the first and second tiers, respectively, this package contains the following elements:

Spending Requirements:

Similar to some of the alternatives of Package 1, all Package 2 variations are based on a modified spending requirement. Districts not spending at the first tier expenditure ceiling are aided on an amount halfway between district spending per pupil and the first tier expenditure ceiling.

Minimum Aid Guarantees:

Package 2(a) includes a basic minimum aid guarantee to every district regardless of its income or property wealth. Unlike the current flat grant which goes only to the wealthiest districts, this minium guarantee of $200 per pupil, would be distributed to all districts. Its cost and effect on equalization of expenditures would be minimal--about $3 million, and less than a 2 percent increase in the expenditure gap.

Pupil Count:

Under package 2(a) state aid is distributed on a fifty-fifty combination of active enrollment and average daily attendance. This method balances the arguments of both methods for counting pupils. It results in a different distribution of state aid and requires an additional $60 million over the cost of an active enrollment based pupil count on a formula with ceilings set at the 50th and 60th percentiles.

Changing the pupil count from attendance to a fifty-fifty combination would alter the current expenditure gap Based on a fifty-fifty combination of attendance and enrollment, the 1981-82 expenditure gap would be about $1700 ratherthan the present $1720.

Student Needs

Special Education Needs Students (PSEN)--Rather than embrace Task Force research on the appropriate weight that should be used to reflect actual average costs, a different approach has been taken. The percentage of special educational needs students has been averaged over four years and weighted an additional 30 percent. Because the percentage of special educational needs students has been declining, a four year average would cushion districts against losses in state aid for remediation programs.*

Limited English Proficiency--Although Task Force research determined that the actual average cost of educating students with English proficiency problems was 40 percent higher than the cost of providing regular educational services, this package includes an additional weight of 35 percent. However, this weighting would provide substantially more aid than is currently available.

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*Task Force research found a 35 percent additional weighting necessary to reflect actual average costs. The State Education Department also recommended estimating special educational needs students using a four year average, rather than the two year average currently in use.

Handicapped--Another approach to funding for the handicapped which received substantial support from Task Force members is reflected in plan 2(a). The current method of aiding the handicapped has been streamlined, so that all handicapped aid is distributed through the operating aid formula, rather than through the current excess cost formula. The weightings for students with handicapping conditions are included in both the wealth measure and in the payment of aid.

This simplification of handicapped aid would generate approximately $50 million in additional state aid.

Gifted and Talented--Not shown in the computer run for this package. The estimated cost is $11 million regardless of formula structure.

District Fiscal Capacity:

The assessment of district fiscal ability is different from all other approaches put forth but is similar to current practice.

Rather than combine property and income into one measure of ability, a third tier has been created. Like the existing second tier of the operating aid formula, it would distribute additional aid on an income per pupil basis. Using an equalization formula, aid would be provided based on a $100 per pupil allocation with a 20 percent state share for a district of average income per pupil wealth. When included in the package, it would increase the cost by approximately $80 million; fewer districts would lose state aid and the expenditure gap would be reduced further.

Special Features:

Rural--As in all of the illustrative packages, plan 2(a) provides additional aid in the form of a pupil weighting for rural districts which are both sparsely populated and have fewer than 1,000 pupils in total enrollment.

Cost and Equity:

Package 2)a) would increase total state operating aid to slightly more than $4 billion, an increase of $770 million, or 23 percent over current spending. It is less expensive than any of the illustrative packages previously discussed. It provides for higher ceilings, student weights and active enrollment in combination with attendance.

For example, if the 1981-82 school finance formula had been based on a fifty-fifty combination of active enrollment and attendance, then the current expenditure gap would be about $1700 rather than $1720. In addition, if all other elements of plan 2(a) were instituted, the expenditure gap would be reduced another $280.

Under this package, districts would on average realize aid increases of about $230 per pupil. Cities would be eligible for increases of roughly $365 per pupil, while upstate and downstate suburbs would be entitled to increases of $175 and $15 per pupil respectively. The Levittown plaintiff districts would receive an additional $260 per pupil and nonmetropolitan areas would gain $200 per pupil.

PACKAGE 2(b):

Package 2(b) was also endorsed as an illustrative plan. Although similar in design, it excludes an income factor, and a minimum aid guarantee. However, the pupil count is based solely on active enrollment and not a fifty-fifty combination of enrollment and attendance.

This variation would result in a lower total cost. Package 2(b) would cost $3.8 billion, an increase of $500 million. The change in state aid would range from a loss of $75 per pupil in the downstate metropolitan area to an increase of about $260 per pupil in the cities. Nonmetropolitan areas are eligible for about two-thirds that amount, as are the upstate metropolitan districts.

PACKAGE 2(c):

In another variation several new features are included. Package 2(c) has the same basic structure; ceilings set at the 50th and 60th percentiles, an active enrollment pupil count, a modified spending requirement, and a rural overburden adjustment. It differs from the other alternatives of Package 2 in the following ways:

Minimum Aid Guarantee :

This plan makes no provision for a minimum aid guarantee to which any or all districts would be entitled.

Student Needs:

Special Educational Needs---This package contains the increased student weighting of 35 percent.

Limited English Proficiency--Students requiring additional educational assistance are weighted a total of 40% as suggested by Task Force research.

Handicapped--No new provision has been included in this package. However, current law weightings for the handicapped remain in the calculation of district wealth but have been converted to reflect the active enrollment pupil count. This slight modification would result in about $78 million in additional aid to the handicapped.

Declining Enrollments--The current practice of using a two year average enrollment pupil count is included.

Fiscal Capacity Measure:

This plan adopts the recommendation of the Task Force research team that income per return be used in equal weight with property per pupil.

Special Features:

Municipal Overburden--A categorical program which would provide for an additional $10 per capita in districts defined as municipally overburdened is included.

Cost and Equity:

Overall, package 2(c) would require an additional $810 million in state aid to fund its provisions. This amounts to a total state cost of $4.1 billion, or an increase of 23 percent over current operating aid funding levels.

Of all of the plans favored by Task Force members, package 2(c) makes the most progress toward narrowing the expenditure gap. The current expenditure gap would automatically be closed by $100 if the pupil count had been based on active enrollment. In addition, another $495 would be shaved off the expenditure gap if the other elements of this formula were to be enacted. The expenditure gap would be $1125. In 1981-82 it is estimated to be $1720.

The role of wealth in determining district expenditures is substantially diminished, as was suggested by Task Force research. In short, package 2(c) provides the largest amount of expenditure equalization for the least amount of state aid.

Under this package, state average increases would range from about $365 per pupil for the upstate cities to about $450 per pupil for the Big Five cities. Hurd-affected cities would also gain about $330 per pupil. Statewide, the average per pupil increase would be about $225. Downstate, however, state aid, on average, would decline. Although many districts in Westchester, Rockland and Putnam would realize aid increases, the net change would be negative, i.e.,-$215 per pupil. While Levittown-plaintiff districts would realize aid increases of $185 per pupil, the net loss in aid for all districts in Nassau and Suffolk would be about $50 per pupil.

PACKAGE 2(d):

Package 2(d) differs from 2(c) in the following ways:

Student Needs:

Concentration Aid for Educationally Disadvantaged--Although not shown in the cost and equity measure, this package was endorsed with a categorical PSEN concentration provision identical to the one used in package 1(a). It would add approximately $50 million to the estimates shown here.

Fiscal Capacity Measure:

This package is based on property wealth per pupil weighted equally by income per capita.

Cost and Equity:

Including the categorical concentration provision, this package would cost about $4.25 billion or an increase of about $750 million over what is currently spent. Both the expenditure gap and wealth related disparities would be significantly reduced.

Excluding the concentration adjustment, the overall increase in state aid would be about $200 with cities and rural areas benefitting substantially. For example, rural areas would realize aid increases of about $310 per pupil and cities would gain between $230 and $550 per pupil. Downstate suburban areas would not benefit from this plan.

SUMMARY OF ALTERNATIVE PLAN 2(a)

Description of Plan

Basic Formula

Basic Pupil Count	50% active enrollment, 50% ADA
Tier 1 Ceiling	50th percentile of expenditure/pupil ($2300)
Tier 2 Ceiling	60th percentile of expenditure/pupil ($2400)
Spending Requirement	Tier 1 aid paid halfway between expenditure and ceiling
Minimum Aid	$200/pupil
Wealth Measure	Property/pupil (separate formula for income aid)

Additional Pupil Weights

PSEN	30%	K-3	0%
LEP	35%	7-12	25%
PSEN Concentration Adjustment	None		

Special Features

Declining Enrollment Provision	None
Municipal Adjustment	None
Cost Adjustment	None
Rural Adjustment	Yes
Prekindergarten	None
Gifted/Talented Aid	Yes

Excess Cost Aid

In operating aid: current pupil weights used for payment

Cost/Impact of Plan *

Cost (million)	Total	Increase over 1981-82
Operating Aid	$3,696	$ 695
Handicapped Aid	378	76
Total	$4,074	$ 771

Impact

Number of Districts with Aid Increases	550
Number of Districts with Aid Decreases	152
Amount of Aid Lost	$ 71 million
Estimated Spending Disparity	$1420[a]
Estimated Reduction in Wealth-Related Disparities	34%[b]

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* Note: Amount for prekindergarten and gifted/talented aid not included.

a. Based on the range of expenditures per pupil from the 10th to 90th percentile of spending.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

SUMMARY OF ALTERNATIVE PLAN 2(b)

Description of Plan

Basic Formula

Basic Pupil Count	Active enrollment
Tier 1 Ceiling	50th percentile of expenditure/pupil(2150)
Tier 2 Ceiling	60th percentile of expenditure/pupil(2250)
Spending Requirement	Tier 1 aid paid halfway between expenditure and ceiling
Minimum Aid	$0
Wealth Measure	Property/pupil

Additional Pupil Weights

PSEN....30%	K-3.... 0%
LEP....35%	7-12....25%
PSEN Concentration Adjustment	None

Special Features

Declining Enrollment Provision	None
Municipal Adjustment	None
Rural Adjustment	Yes
Prekindergarten Aid	None
Gifted/Talented Aid	Yes
Cost Adjustment	None

Excess Cost Aid

In operating aid: current pupil weights used for payment

Cost/Impact of Plan*

Cost (millions)	Total	Increase over 1981-82
Operating Aid	$3,455	$454
Handicapped Aid	351	49
Total	$3,806	$503

Impact

Number of Districts with Aid Increases	488
Number of Districts with Aid Decreases	219
Amount of Aid Lost	$121 million
Estimated Spending Disparity[a]	$1375
Estimated Reduction of Wealth Related Disparities[b]	34%

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* Note: Amounts for prekindergarten and gifted/talented aid not included.

a. Based on the range of expenditures from the 10th to the 90th percentile of spending.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

SUMMARY OF ALTERNATIVE PLAN 2(c)

Description of Plan

Basic Formula
- Basic Pupil Count..... Active enrollment
- Tier 1 Ceiling..... 50th percentile of expenditure/pupil ($2150)
- Tier 2 Ceiling..... 60th percentile of expenditure/pupil ($2250)
- Spending Requirement..... Tier 1 aid paid halfway between expenditure and ceiling
- Minimum Aid..... $0
- Wealth Measure..... Property/pupil x income/return

Additional Pupil Weights
- PSEN.....35%
- LEP.....40%
- K-3..... 0%
- 7-12.....25%
- PSEN Concentration Adjustment..... None

Special Features
- Declining Enrollment Provision..... Yes: 2 year average
- Municipal Adjustment..... Yes: categorical
- Cost Adjustment..... None
- Rural Adjustment..... Yes
- Prekindergarten Aid..... None
- Gifted/Talented Aid..... Yes

Excess Cost Aid
- Current law

Cost/Impact of Plan*

Cost (millions)	Total	Increase over 1981-82
Operating Aid	$3,686	$686
Handicapped Aid	381	78
Total	$4,067	$810

Impact
- Number of Districts with Aid Increases.....515
- Number of Districts with Aid Decreases.....192
- Amount of Aid Lost.....$216 million
- Estimated Spending Disparity .....$1126[a]
- Estimated Reduction of Wealth Related Disparities...45%[b]

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* Note: Amounts for prekindergarten and gifted/talented aid not included.

a. Based on the range in expenditures per pupil from the 10th to the 90th percentile of spending.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

SUMMARY OF ALTERNATIVE PLAN 2(d)

Description of Plan

Basic Formula
- Basic Pupil Count.....Active enrollment
- Tier 1 Ceiling.....50th percentile of expendtiure/pupil($2150)
- Tier 2 Ceiling.....60th percentile of expenditure/pupil($2250)
- Spending Requirement.....Tier 1 aid paid halfway between expenditure and ceiling
- Minimum Aid.....$0
- Wealth Measure.....Property/pupil x income/capita

Additional Pupil Weights
- PSEN.....25%
- LEP.....30%
- K-3..... 0%
- 7-12.....25%
- PSEN Concentration Adjustment.....Yes

Special Features
- Declining Enrollment Provision.....None
- Municipal Adjustment.....Yes: Categorical
- Cost Adjustment.....None
- Rural Adjustment.....Yes
- Prekindergarten Aid.....None
- Gifted/Talented Aid.....Yes

Excess Cost Aid
- Current law

Cost/Impact of Plan*

Cost (millions)	Total	Increase over 1981-82
Operating Aid	$3,619	$619
Handicapped Aid	381	78
Total	$4,000	$697

Impact
- Number of Districts with Aid Increases.....497
- Number of Districts with Aid Decreases.....210
- Amount of Aid Lost.....$278 million
- Estimated Spending Disparity.....$1290[a]
- Estimated Reduction of Wealth Related Disparities....45%[b]

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* Note: Amounts for prekindergarten and gifted/talented aid and a PSEN Concentration aid are not included.

a. Based on the range in expenditures per pupil from the 10th to the 90th percentile of spending.

b. Disparity measure based on a different wealth measure than present law. This and other estimates of wealth disparities reduction should be treated with caution. The reduction is based on the percentage change in the relationship between property wealth and expenditures under current law and the proposed alternative plan.

Table 3

Distribution of Estimated State Aid Increases Under Alternative School Finance Packages
Package 2, New York State, 1982-83

Selected Districts	Number of Selected Districts	Estimated Change in State Aid Per Pupil			
		Package 2a	Package 2b	Package 2c	Package 2d*
		Net Change	Net Change	Net Change	Net Change
State Average Increases	707	$ 229	$ 142	$ 225	$ 198
Big Five Cities:					
Buffalo	1	$ 359	$ 291	$ 567	$ 552
Rochester	1	$ 386	$ 325	$ 623	$ 498
Syracuse	1	$ 267	$ 211	$ 484	$ 464
Yonkers	1	$ 261	$ 254	$ 267	$ 228
New York City	1	$ 365	$ 289	$ 440	$ 434
Upstate Metro:	270	$ 175	$ 81	$ 135	$ 61
Cities	30	$ 242	$ 159	$ 365	$ 267
Suburbs	240	$ 158	$ 61	$ 74	$ 7
Rockland-Putnam-Westchester	53	$ 15	$-75	-$ 215	-$ 198
Nassau-Suffolk	121	$104	$ 5	-$ 51	-$ 70
Nonmetropolitan Areas	253	$198	$ 89	$283	$286
Rural	201	$ 190	$ 66	$ 272	$ 310
Municipally Overburdened	48	$ 335	$ 261	$ 419	$ 394
Hurd-affected	24	$ 241	$ 173	$ 332	$ 247
Levittown-plaintiff	26	$ 260	$ 153	$ 185	$ 217
Levittown-intervenors	4	$ 364	$ 288	$ 453	$ 441

* The Plan 2d net change does not reflect the impact of PSEN concentration aid which would impact the big five cities most significantly.

II . COST AND IMPLEMENTATION

The state must be concerned that the adequacy of state support and the elimination of gross disparities which it receives through reform, be maintained. The state must also be concerned with the fiscal soundness of its reformed formula as New York State residents are already taxed at levels proportionately higher than residents of other states.

Yet, the selection of appropriate methods to correct the system's reliance on local wealth, diminish expenditure disparities and respond to the other Levittown issues calls for a substantial increase in the state's current contribution. The illustrative plans are based on higher state ceilings, coupled with new student weightings and distribution on the basis of active enrollment, or some combination thereof.

However, the Task Force is concerned that the options it recommends be implemented and that the cost of a reformed finance plan be affordable. Therefore, when implementing a new formula, maintenance of higher ceilings is critical especially in view of the effect of high inflation rates on school district budgets. Provision of state aid to meet the needs of the educationally disadvantaged is also of major importance. Distributing state aid on the basis of an inaccurate assessment of district ability to pay would be contrary to the inequities underscored by the courts.

Just as there are many methods of solving a school finance problem there are many ways of implementing the solutions. The Task Force considered practical ways for making the cost of a reformed finance plan affordable.

RECOMMENDATION D:

> Should the cost of a reformed finance plan become too expensive, the state should extend the number of phase-in years.

Extending the number of phase-in years is the most straightforward method for containing state costs. It would mean that no element of a reform plan would have to be compromised in order to achieve equity. A reformed system could be put in place without tampering with its basic elements. Achievement of equity would be prolonged but not at the expense of any one particular element or type of district.

Alternative Proposal (A)

> The state should maintain fixed expenditure ceilings in relation to an established percentile. Should maintenance of the ceiling become too expensive for the state, it should contain costs by decreasing the percentage state share.

As has been discussed in Volume Two, the higher the expenditure ceilings the higher the total cost but more equity would be injected into the system. If the overriding goals are to maintain an adequate program at the local level and eliminate variations in expenditures, then it is critical that the goals remain intact even if the price must be lowered.

Manipulation of the percentage state share can help to maintain and control costs while at the same time preserve the equity of the reformed system. The percentage state share plays an important role in the equalization of both wealth and expenditures. It interacts with district fiscal capacity to determine state aid. Secondly, the percentage state share determines district qualification for state aid on the basis of its fiscal capacity.

Under the current system, the percentage state share in the first tier is 49 percent. This means that all districts with twice the state average wealth will qualify for equalization aid. The second tier percentage state share behaves similarly, but being set at 20 percent only districts with slightly more than average or below average income wealth receive assistance.

A decrease in the percentage state share would result in fewer wealthier districts qualifying for state aid. A decrement in the percentage state share would target more equalizing state aid to the less wealthy districts and would also result in a less costly finance system.

Alternative Proposal C

> Should the cost of a reformed finance plan become too expensive, the state should contain costs by scaling some of the most costly elements of that plan.

As has been demonstrated in several of the illustrative school finance packages, particular elements can be scaled to control total state costs. Adjustments such as municipal overburden or cost overburden are especially good candidates because they are designed to target aid to districts with a particular type of problem. Eligibility is determined according to a score or value which often has considerable range. Without a compression of that range, the cost of these programs can be higher than considered appropriate.

The advantage of using scaling techniques is that reform elements which may have been considered costly and therefore excluded from a finance system, need not be. A reform principle can be enacted and the cost controlled with the use of scaling techniques.

MEMBERS' STATEMENTS

PLANS

Statement of Mr. Rubin:

These packages or "plans" were put together by some of the members subsequent to the two day retreat held on December 14th and 15th, 1981. They were expressly stated to be for "illustrative purposes only." None may therefore be considered as the recommended plan of the Task Force.

They contain "adjustments" which are not based on any research or study whatever. For example, there is included a "concentration factor" of $50 million. No study or research produced any such figure or any other figure. There is a $100 million municipal overburden adjustment--a figure totally unsubstantiated by any study or research. There is included a county salary "cost of education" adjustment. This is simply an arbitrary ten percent of $1.2 billion. No study even suggests any such adjustment, etc., etc.

Statement of Albert Shanker:

The Task Force has studied alterations of the New York State School Aid formula for three years and has seen many, many simulations based on principles embodied in the Levittown decision. This section contains seven alternative plans.

One plan, plan 1a, received a majority of the votes of the Task Force members. It would be a travesty if the Task Force did not take the point of view that a plan supported by people across the state from all walks of life, a majority of the Task Force, does not represent the recommendation of the Task Force.

Plan 1a is the recommendation, the other plans are minority suggestions.

Statement of Chancellor Genrich:

Willard A. Genrich, Chancellor of the Board of Regents, did not participate in or vote on the Final Report. As Chancellor he will be the presiding officer when the report is discussed by the full Board of Regents before that Board makes its own recommendations. He desires to have the benefit of his Board's discussion of the report before deciding on the issues involved.

Statement of Martin C. Barell:

Mr. Barell voted as a private citizen, not in his his capacity as Regent.

IMPLEMENTATION OF STATE AID PACKAGES

Statement of Thomas Y. Hobart:

Early media reports have given the impression that the Task Force is "sidestepping" the "key" issue of how the State should raise money for schools. Further, these reports, made prior to the release of the final report of the Task Force, have indicated that the members could not agree on the issues as we saw them, and that there were many divisions among us. Neither of these impressions is correct.

In fact, the Task Force has squarely and directly addressed the issues that were put before us. That not everyone can totally embrace all of the finer points of each and every proposal we have put forward speaks more to the complexity of the problems we have faced than to any great dissension among us. We have achieved remarkable agreement in the overall response to our charges. This is particularly noteworthy given the number of Task Force members who, as State representatives, looked at containing State costs first, and resolving Levittown second.

The problem of school revenues, as found by the courts and sustained by our own research, is a problem of relying too heavily on a regressive tax base (the property tax) for the support of public schools. We were presented with proposals that would have left this heavy local burden intact and only redistributed the monies raised by the property tax. However, we found these proposals wanting in the soundness of the research that was presented in their support and, quite frankly, it was questionable as to whether these proposals did not constitute, themselves, a sidestepping of the key issue of school revenues. As a result, we recommended that further research be conducted before these schemes could be considered. On this matter, the voice of the Task Force was clear and strong.

In addressing the problem of school revenues most directly, the Task Force has advocated an increase in the share of school revenues supported by the State. Only in this way can the myriad of problems found and affirmed in the courts, and again sustained in our own research even begin to be addressed.

If the State were to become the equal partner in raising school revenues that it ought to be, then State Aid would have to be increased by at least $1.5 billion over its current levels for 1982-83. I submit that had the State maintained such an equal partnership throughout the decade of the 1970's, it is quite possible that Levittown could have been prevented. The Task Force has demonstrated, in the final research simulations which are included in this report, the way in which such an equal partnership could solve most, if not all, of the problems involved in Levittown.

Those who might view our recommendations as calling for only an increase in spending on public education are greatly misinformed. What the Task Force has clearly called for is an increase in the State's participation in the revenue raising process, so that the disproportinate share of the property tax burden may be taken off the backs of the homeowners and businesses of our State, and supported more equitably by the State's more progressive and comprehensive revenue sources. To say that this Task Force has advocated throwing money at the problem is simplistic, and inaccurate. We are not necessarily asking for "new" money for education, just more of a share in the costs by the State. Such a partnership would grant our currently poor districts the amounts of state aid they need in order to provide the educational programs they deem appropriate for their children, but currently cannot afford.

Statement by Raymond T. Schuler:

This report represents an earnest attempt to deal with the immensely complicated issues growing out of the court case challenging New York State's education finance system. In the deliberations of the Task Force, I have given my wholehearted support to those aspects of its report intended to eliminate the inequitable features of the current system.

At the same time, however, I must caution that any recommendation for an extremely expensive "solution" to this problem--such as plan 1(a)--is, in fact, no solution at all.

In the first place, no plan that would instantly throw the state's budget wildly out of balance can be accepted by the legislative and executive branches. And if immediate implementation is too expensive, no plan that must be phased in over a protracted period of years is likely to be accepted by the courts. Our mandate is for an early and real solution to these inequities--not for a paper plan that can never be implemented.

In the second place, however, I want to stress that even if we could afford plan 1(a) or some similarly expensive remedy, I would have grave reservations about it. It is time to face the fact that we will not ensure the excellence of our educational systems simply by spending more and more money on them, with less and less regard for how that money is spent. Excellence--the real excellence in education that is the one sure guarantee of equality of opportunity for all our people--takes more than money. No amount of increased school aid, and no mere reshuffling of formulas, will give our children the opportunities they need and deserve, if we operate a system that does not use its resources effectively.

The title of this task force speaks of "equity and excellence" in education. But our report should not be seen as presenting a comprehensive approach New Yorkers can adopt in achieving both equity and excellence.

As a practical matter, we were forced to deal almost exclusively with the "equity" questions posed by the current court case. A thorough inquiry into the best means of ensuring excellence was not within our mandate, and we did not undertake it.

I want to touch on that subject now, however, because I think it will be an important consideration in the public debate that will develop from court decisions and from the task force's recommendations.

Let me stress that the business community supports a strong educational system in this state, and is proud of the quality of our teachers and of the achievements of our students. The high level of educational attainment of our work force is one of New York's key economic assets, and the fate of all our working people depends upon ensuring that we provide more and better education. We need excellence.

But our current excellence is produced at a very high price. We spend over $10 billion on public schools in this state--40 percent more per pupil than the national average. No other industrialized state comes close to our level of spending, not even those with fine records of educational attainment.

We must try to spend our education dollars more effectively and efficiently--because true equality of opportunity will come only to students whose school systems not only spend what is required, but spend it well.

One major concern we must address has to do with the expensive duplication of services at the local level. New York has a cherished tradition of local control of schools. But we have so devoted ourselves to that tradition that we now operate fully 739 independent school districts. This vast proliferation of districts is, in and of itself, one of the prime causes of inequity in spending levels.

Furthermore, this proliferation of districts makes inefficient and ineffective spending inevitable. It takes resources that should be going into the classroom, and spends them on administrative overhead. Every district has its own administrative costs. Most contract for services independently. Most have their own transportation system.

And the irony is that we do not need to keep this system of overlapping and duplicative costs, in order to preserve our tradition of local control. Autonomous school districts could enter into joint contracting arrangements for administrative costs, personnel administration, purchasing, special educational programs and the like, while still providing that local schools will be governed by local school boards represening local people running neighborhood schools. The BOCES program provides and organizational model for this kind of cooperation: it is long past time for us to apply this model wherever possible.

I propose, as a first step, that the commissioner of education be directed to set up one or more demonstration projects involving selected school districts in

joint administration of relevant services. As an incentive, the state should finance all transition costs and then provide an appropriate increase in state aid to the participating school districts, with the level of increase varying with the number of services consolidated.

If these demonstration projects prove the validity of this concept, the state should make future enrichments of aid to school systems dependent upon such administrative improvements.

This is, of course, only a first step. As this process goes forward, I think we will find other ways of making our school spending more effective.

But we must begin. The very fact that we now find ourselves in a situation in which a plan can be proposed to spend $1.45 billion more on schools--without any assurance that that would produce more excellence and more equality of opportunity--dramatizes the fact that how we spend our education dollars is as important as where we spend them.

Statement of Susan Amlung:

Plan 1a as put forth here illustates the major factors that should be incorporated into any equitable school aid formula. However, time did not allow the staff to prepare further refinements that might have served equally well, perhaps at less cost. Among those, I would suggest:

- Equalized state funding of 75 to 90 percent of approved excess costs for educating children with handicapping conditions;
- Reducing flat grants to $200;
- Equalized transportation aid between 75 and 90 percent of approved costs;
- Qualifying fewer districts for municipal overburden aid;
- Capping future increases in the expenditure ceiling at a fixed percentage per year. This would prevent high spending districts from precipitously driving up the ceilings which are based on actual district spending.

I urge the Board of Regents, the Governor and the Legislature to explore these as well as other options that will not compromise the plan's basic principles.

Statement of C. Mark Lawton, Howard F. Miller, Irving H. Freedman and Henrik N. Dullea:

The findings of the courts in the Levittown case regarding New York's present system of financing public education are clear. But, the necessity of education finance reform occurs at the moment in the State's history when the Federal government's support for education and other vital social programs is being curtailed. It occurs, as well, when the physical infrastructure of our economy--our roads, bridges, and State institutions--are in need of major repair and modernization. Reform will thus not come easily, and further delay in it achievement will only make the required restructuring more painful with every passing year. Bold, yet fiscally prudent, action is required and required promptly.

When Governor Carey and State Board of Regents created this Task Force, they asked that it develop alternative solutions to the issues identified in Levittown that would be both constitutionally acceptable and fiscally responsible. That goal cannot be met by multi-billion spending plans stretched out over many years. Such plans will be very costly to the State and will do little to acheve real equity.

A number of the financing packages developed by the Task Force make substantial progress in addressing the issues decided in Levittown at a cost which is attainable, although exceedingly difficult. The magniture of the financial resources required to fund even the most fiscally prudent packages is substantial. Since we are addressing school financing equity issues of long-standing, a brief phase-in period of no more than three or four years is necessary. Once the plan is fully implemented, however, annual school aid increases of the magnitute of the phase-in period should not be anticipated.

Adjustments to meet the equity principles enunciated both by the courts in the Levittown decisions and in earlier proposals will not be totally painless, but they must be made. We must act now.

Statement by Albert Shanker:

In proposing means of complying with the Levittown decision, any number of possibilities may be considered. But after considerable discussion and debate over several years, a majority of this commission has supported Plan 1a. It is, in fact, the most widely supported recommendation of this Task Force to the Governor, and I would urge the Governor and the Legislature to so consider it.

If we are to comply with the mandate of the Levittown decision to close the gap between property-rich and property-poor districts and between overburdened large cities and other school districts, we should have a minimum increase of $1.45 billion in state aid to education for next year.

I say this in full knowledge of the facts: that the State of New York is confronted with many obligations, not the least of which is picking up responsibilities abandoned by the federal government. Nevertheless, a large chunk of these abandoned responsibilities is represented by federal aid to education--and the districts which will most feel that crunch are precisely those which will benefit most if the Levittown decision is upheld, as is expected. In other words, the gap which Judge Smith outlined so well in his original decision is likely to widen as a result of the federal shortfall--and we must therefore move even more strongly in the direction of narrowing it.

Moreover, we must do so without reducing the quality of education in districts which have the benefit of property wealth and have used it to devise excellence in education. They must be models, not targets. If we equalized by downgrading education in those districts, we shortchange all concerned, the children, the communities and the state. First of all, we will drive parents in those districts seeking a good education for their children either out of the state or into private schools. Second, the demands of American society in the years ahead, if we are to improve our productive capacity and maintain or improve our standard of living, require more and better education, not less and poorer. If New York State is to remain economically healthy it must be an education leader, not a laggard. No one will love New York if opportunities here for education and industry are not first-rate.

For these reasons, we need a massive infusion of state funds to provide vastly enhanced state aid to education.

Our recommendations simply must reflect the municipal and educational overburdens confirmed in the Levittown decision. We must see that new state aid formulas are devised that will give greater weighting to the fact that large cities are burdened with more demands on their local revenues--more and costlier services and needier constituents, especially the children, those who are disadvantaged, handicapped, non-English speaking in numbers far in excess of the proportion of such children in non-urban areas. We must remember that the future of the state lies in these children. Investment in them now, the earlier the better, may well avoid a far more expensive outlay later in the costs of crime, unemployment, under-employment and adult support services.

I take issue most strongly with the notion expressed in one section of this report that "cost economies"can be effected when a district has "a large concentration of pupils needing special services." Sure they can--if you gather the kids together in several large auditoriums and babysit. You are certainly not talking about education or learning. Children who need special services, the economically and educationally disadvantaged, the handicapped, the non-English speaking are, as we all know, costlier to educate. And their concentration doesn't help. The most relevant research on this question, reported in 15,000 Hours, the massive study of inner-city London schools, shows that the educational climate of a school, the key factor in whether the school is successful, is negatively and irretrievably affected when the population of the school consists of more than 25% of such special service children. The notion that there may be any advantage where there are large concentrations of such children simply boggles the mind.

I have long suggested, before the Task Force and in other arenas, measures to promote excellence in our schools. I won't reiterate them here except to note that they deal with improving discipline, toughening academic standards, upgrading teacher training and professional development and making pre-school education available to all children. Once the question of equity is resolved we must focus on these routes to excellence.

Statement of Chancellor Genrich:

Willard A. Genrich, Chancellor of the Board of Regents, did not participate in or vote on the Final Report. As Chancellor he will be the presiding officer when the report is discussed by the full Board of Regents before that Board makes its own recommendations. He desires to have the benefit of his Board's discussion of the report before deciding on the issues involved.

Statement of Martin C. Barell:

Mr. Barell voted as a private citizen, not in his his capacity as Regent.

COST AND IMPLEMENTATION

Statement of Susan Amlung, Thomas Y. Hobart, Jr., Frank Macchairola, Eugene C. Samter and Albert Shanker:

It is very difficult to suggest how to scale down the cost of a plan in the abstract. Any plan would have to be examined individually to determine the most equitable method of phasing it in. In no event, however, should a plan be sacrificed to cost. Any phase-in should ultimately arrive at full implementation of the given plan.

Focusing on the plan that received the vote of a majority of the Task Force members it is possible to suggest a phase-in strategy. The cost of this plan is estimated to be $1.45 billion if it were implemented immediately. The Task Force, however, unanimously supported the concept of a plan that adjusts the expenditure ceilings for inflation. This means that if the plan were implemented over a number of years the cost would be higher by the time it was finally implemented. If education funding increased only at the rate of inflation, by approximately $300 million a year, this plan could be phased-in over six or seven years. If, however, the legislature responds to the mandate of Levittown by increasing its support to education and raises funding by about $600 million a year, the plan could be phased-in over three or four years.

The total cost of the new plan could be phased in evenly over a number of years by awarding districts with a portion of the change in aid each year. For example, if the plan were to be phased in over three years, in the first year a district would receive a third of the new aid. In the second year each district would receive half of the aid increase then due to it. In the third year the new formula would be fully implemented.

Using the method described above the costs of the new formula could be phased in without sacrificing the structure of the formula which responds to the mandate of Levittown.

REDUCTION IN AID

Statement of Mr. Rubin:

We deeply believe that public education is the most important State responsibility and, therefore, we hope that under any circumstances the State contribution will be as great as possible.

Realism, however, compels the recognition that economic uncertainties and fiscal constraints may lie ahead. It may become unavoidable to limit State spending for education during such period. Completeness of our recommendations requires that we submit alternative suggestions if such financial conditions should come to pass. We offer these with no sense of defeatism, but rather in recognition of possible realities.

Statement of Chancellor Genrich:

Willard A. Genrich, Chancellor of the Board of Regents, did not participate in or vote on the Final Report. As Chancellor he will be the presiding officer when the report is discussed by the full Board of Regents before that Board makes it own recommendations. He desires to have the benefit of his Board's discussion of the report before deciding on the issues involved.

Statement of Martin C. Barell:

Mr. Barell voted as a private citizen, not in his capacity as Regent.

III. OTHER STATE AID FORMULAS

The state aid formulas governing aid for transportation, building and Boards of Cooperative Educational Services (BOCES) are not part of the main operating state aid formula. Although not primarily at issue in the Levittown suit, the Task Force has felt obligated to examine the manner in which they work.

I. SUMMARY OF RESEARCH

State Aid for Transportation, Building and Boards of Cooperative Educational Services *

John W. Polley
Former Acting Deputy Commissioner
N.Y.S. Department of Education

A. Transportation Aid

The law providing for the transportation formula is simple in concept but complex in operation. State aid is paid at 90 percent of approved cost of the prior year's transportation. Approved cost is based on the transportation of pupils who live one and one half miles from school and are transported to and from school once daily. The law requires all school districts, with the exception of city districts where it is optional, to provide transportation for K-8 grade pupils who reside more than two miles from school, and for grade 9-12 pupils who reside more than three miles from school.

The State Education Department's determination of approved costs requires a detailed report setting forth information on all cost elements such as wages, parts, gasoline, oil, tires, insurance, the number of pupils transported, mileage and numbers of buses used. A second detailed form is also required, containing information about each route, seating capacity, route mileage, quota and nonquota pupils transported. (A non-

* The analyses and recommendations reported here are those of Dr. Polley and not of the Task Force.

quota pupil is one transported less than one and one-half miles.) This information is needed to determine deductions from total cost which will fix approved expense.

A substantial degree of parity between district owned and contract transportation was achieved in legislation adopted this year, and the 7 percent limit on increases in transportation aid was also eliminated.

The most glaring shortcoming in the present law is the 90 percent state share. This share is a major disincentive to economy. Furthermore, the cost remaining to the district requires a much greater tax rate to support the district cost in poor districts rather than in rich districts. With transportation aid costs increasing rapidly from an estimated $360 million in 1980-81 to $428 million in the next year, every possible approach to economy should be tried.

Recommendations*

Adopt an equalized formula with a per pupil transportation cost ceiling based on a level above the state median and a local share based on a percentage of the state average tax rate. Weight all pupils as one except for handicapped who should be weighted as in operating aid.

Provide for permissive regional transportation systems with aid paid to the district operating the system but based on the sending district's fiscal characteristics.

Provide for a study of the pros and cons of state operation of the school transportation system including such matters as:

a) the cost to be assumed by the state;
b) charges to the local district, if any;
c) savings, if any, due to:

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* These are the recommendations of Dr. Polley and not of the Task Force.

(1) state purchase of buses
(2) more efficient routing
(3) reductions in numbers of buses needed
(4) reductions in personnel
(5) centralization of maintenance

d) special considerations, e.g., New York City.

B. Building Aid

Present law provides an equalized formula. Based upon this law the state pays from 0 to 90 percent of approved debt service and capital outlay for each district. In the district of average wealth the state pays 49 percent of approved costs. The equalization component of the law is partly based on a RWADA* pupil count rather than on the count currently used for the determination of district wealth in operating aid, thereby increasing the complexity of the aid laws. It also makes a distribution of aid which is less well related to present day education needs.

Another component which contributes to equity is missing from present law. This is a feature which provides for differences among districts in costs of construction. To determine whether there are actual differences in construction costs would need further study, but there is ample existing evidence to demonstrate convincing differences in site purchase costs.

The expenses for new buildings, additions to existing buildings and renovations must be approved to be eligible for aid. Greatly simplified, the procedure for determining aid is as follows. For new buildings or additions, projections of pupil population and cost allowance are made per pupil. This is established in law at $1,000 per pupil for buildings housing grades K-6, $1400 for buildings housing grades 7-9, and $1500 for buildings housing grades 7-12. These standards were

* RWADA is Students in Weighted Average Daily Attendance, a pupil count used by the State preceding the current TWPU.

established in 1950. However, the figures are updated on a monthly basis according to a national cost of construction index.

An additional 25 percent of the cost allowance is provided for incidental costs, including the site purchase, site improvement, furnishing and equipment and professional fees for school buildings or additions housing grades 7-12, and 20 percent for buildings or additions housing grades 1-6. State building aid is paid to New York City on the basis of the aid ratio established for the City as a whole and not by borough as is operating aid.

Present law discourages advance acquisition of school sites. In a time of rapidly increasing property values this is a serious shortcoming. The approval of the State Education Department and the signing of the general construction contract must occur not later than the school year following the school year of the site purchase for the district to be eligible for State aid on it.

An alleged shortcoming of public construction law in New York State is the requirement for multiple contracts. Under various sections of the law for projects exceeding $50,000 separate bids must be taken and awarded in three categories: plumbing; heating, ventilating and air conditioning; and electrical work. In addition, a contract for general construction is normally let. The purpose is to increase economy by encouraging more bidding. In practice, delay caused by lack of coordination, less competition in bidding and the costs of multiple sets of plans has caused widespread criticism by all government units subject to the law.

Recommendations*

- Use the same pupil count, whatever the Task Force chooses for operating aid, for determining district ability to pay;
- Provide for the advance purchase of sites;

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* These are the recommendations of Dr. Polley and not of the Task Force.

- o Provide for regional variable site costs outside of the incidental cost allowance; Base the site cost aid on five year averages of previous site costs determined on a regional basis;
- o Pay building aid to New York City by borough as is done for operating aid;
- o Allow both multiple and single cost contracts for construction.

C. Boards of Cooperative Educational Services (BOCES)

The law governing aid for Boards of Cooperative Educational Services is lengthy and detailed as are the State Education Department's policies for BOCES. BOCES State aid is distributed under two formulas. Districts may use the formula which produces the greater amount of aid. One formula is an equalizing formula similar to that used prior to the 1974 revisions of State aid. This formula favors poor districts. It is largely used by low wealth, low tax rate, rural districts.

The other formula is an effort-equalizing formula, the millage formula. The choice of the two formulas has been a part of BOCES aid since its inception. As tax rates have increased, the deductible millage in the millage formula has increased from six mills to eight mills.

A BOCES budget is composed of two parts: the administrative budget and that portion which pertains to the direct provision of educational services. The administrative budget provides funds to support administration, including activities for the district superintendent's office, the portion of his salary not paid by the State, expenses of the board, and other approved specific activities. It also includes estimated costs for facilities which house both administrative and educational services. A limit is imposed on these costs of 10 percent of the total budget.

Administrative expenses are a charge upon all component school districts whether or not such districts

participate in the specific programs offered by the BOCES. They are spread either on the basis of the property values of components or the weighted average daily attendance of the components. Only two BOCES use property values to apportion administrative costs among the components. Once a district is a member of a BOCES it is always responsible for its portion of administrative expense

The service portion of a BOCES budget includes all costs relating to the direct provision of educational services to component districts. Charges for services are made only to those districts receiving the service and are prorated according to the contractual arrangement entered into by the district with the BOCES for the number of pupils served.

BOCES aid offers additional advantages to the higher spending districts. Once the per pupil cost exceeds the operating aid ceiling, a district cannot lose state aid by shifting programs to a BOCES since no operating aid is paid on district expenditures over the ceiling cost per pupil. If the district operates under an operating aid save harmless provision, there is also a strong incentive to place any possible approvable program under BOCES since the BOCES aid would constitute additional aid not otherwise available.

There are, however at least four checks in law in the use of BOCES as a substitute for local service and local tax money. Only a portion of the service cost is paid by BOCES aid. The salary limit of $14,500 is an added check. The Education Department approval is a third. And finally the Department of Audit and Control audits all aid for approved services and may disallow some, occasionally in substantial amounts.

The denial of the benefits of BOCES aid to the Big Five cities is only partially compensated for by special aid for occupational education, computer services, and recent changes in aid for handicapped children. The statewide provision of BOCES should bring benefits not only to the five cities but to the neighboring districts in terms of economies of scale and wider program offerings.

Recommendations*

- Provide a more strongly equalizing formula for BOCES;
- Modify the BOCES millage formula;
- Phase out the save harmless provisions of BOCES aid over a three year period;
- Provide BOCES aid for New York City for specified services such as computer costs for both instruction and administration, planning, specialized supervision, in-service training, BOCES central office administrative expenses including building space used for BOCES type services;
- Allow Buffalo, Rochester, Syracuse and Yonkers to join an existing BOCES and pay their administrative cost the first year;
- Provide for occupational education aid in any new operating aid system. It would thus be treated exactly as recent reforms have dealt with aid for the handicapped.

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* These are the recommendations of Dr. Polley and not the Task Force.

II. TASK FORCE RECOMMENDATIONS

Transportation*

Based on considerations other than those presented by Dr. Polley, a majority of the members recommend:

RECOMMENDATION (A)

The state should retain its current method of aiding district transportation expenses.

Transportation is a state-mandated non-instructional service which districts must provide. Its costs, due to inflation and rising fuel prices, are increasingly high. In 1980-81 state transportation aid was an estimated $360 million; in 1981-82 it had risen to approximately $428 million.

The state should maintain its funding commitment as long as it maintains its mandates. The impact of switching from the current system of 90 percent state reimbursement to an equalized formula would be devastating to the great majority of school districts. Almost all districts would either have to divert significant monies from their instructional programs or increase their tax rates. The current system enables districts to spend larger amounts on their educational programs than they would otherwise be able to.

A withdrawal of the 90 percent commitment could have the most dire effects on some of the neediest rural districts. One reason for the large state share in transportation was to encourage district consolidation in sparsely-settled, large geographic regions. If poor districts in these regions had had to carry more of the transportation cost, they could not have been consolidated. Even though they would be eligible for relatively more aid than wealthy districts, they still might suffer some aid losses. The 1981 law improving parity between district-owned and contracted buses will aid these rural districts.

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*See Statement of Corinne W. Stork at conclusion of Other State Formulas section.

Other members believe that the transportation formula, like the operating aid formula, should be more equalizing. They proposed:

Alternative Proposal (B)

The state should adopt an equalized transportation aid formula which includes a per pupil transportation cost ceiling, a local share based on tax rate, and handicapped pupil weightings consistent with operating aid.

The current formula does not in any way recognize district fiscal capacity and is therefore disequalizing. Under it, school districts have tax rates for transportation purposes that range from nine cents per thousand full value up to five dollars per thousand full value, a variation of over 50 to one. An equalized transportation aid formula would make additional funds available for educational programs in poor districts, and it would reduce the advantage wealthy districts have had in the aid formulas. Research has shown that poorer rural districts are forced to spend a disproportionate amount of their budgets for transportation. An equalized formula could further help the poor rural districts by achieving greater parity between district-owned and contracted bus services.

By including handicapped pupils in its pupil count, a reformed transportation formula would further equity by recognizing the markedly increased costs associated with transporting handicapped pupils. This change would provide relief particularly to city districts where handicapped pupils are concentrated.

Abandoning the 90 percent state share would also be a move towards economy. The 90 percent share fails to harness costs as it is automatically based on approved expenses. The staff available to monitor the voluminous reporting required to account for district costs is not sufficient and approval of prior year costs tends to be perfunctory. The cost ceiling would provide accountability.

Building Aid

In the case of the building aid formula, over two-thirds of the Task Force recommend:

RECOMMENDATION (2B)*

The state should adopt a building aid formula which:

1. uses the operating aid pupil count;
2. permits advance site purchase;
3. provides for regional cost variations by recognizing actual site costs;
4. provides for payment to New York City on a borough basis;
5. and allows both multiple and single cost contracts for construction.

Because they would more accurately reflect true costs, the proposed reforms of the building aid formula would make it more equitable, economical and fexible. Changing the pupil count and providing payments to New York City on a borough basis would reflect need, costs and fiscal capacity more accurately. The pupil count and wealth measure would be brought into line with the operating aid formula, and the overall formula simplified. Paperwork involved in applying for building aid would be reduced. Regional cost variations in building site purchase and construction costs would be accounted for. Districts would be compensated for actual costs.

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* See voting tally for those few members who did not endorse all five of the recommendations.

Allowing districts to acquire sites more than one year in advance of construction, and to let bids for multiple to single contractors would give them more flexibility in making fiscal decisions. For both of these factors the present law provisions could be expanded rather than eliminated in order to maintain controls: for example, the ceiling for single bids could be lifted to $100,000 or above; and districts could be given a three-year advance on site purchases.

A minority of Task Force members feel that the current building formula is equalizing and adequate. They do not believe the proposal changes are desireable, recommending:

Alternative Proposal (A)

> The state should retain its current method of aiding district building expenses.

The current formula for building assistance aids districts, based upon the aid ratio of their wealth multiplied by the approved expense for debt service or capital outlay. As such it is the most equalizing of the major aid categories. Poor districts may receive up to 90 percent of approved costs whereas wealthy districts will receive no aid if they have a negative aid ratio.

There is no reason to change the current formula. Additionally, any change would jeopardize the bonds and other financial terms school districts arranged under the current formula. Adjustments made for different regional costs would be hard to measure and control. Advance site purchases could lead to speculation and vulnerability to pressure to acquire sites unwisely.

BOCES Aid

Task Force members are divided on the proposed reforms of the BOCES formula. The alternatives are presented in order of the vote.

Alternative Proposal (B)

> The state should adopt a more strongly equalizing funding scheme for BOCES, modifying the millage formula, eliminating the BOCES save-harmless provision and providing BOCES aid-or its equivalent--to the Big Five cities.

The current BOCES funding scheme is not equitable. Wealthier districts avail themselves of the non-equalizing millage formula and collect aid on the basis of expenditures, thereby contravening the intent of the aid ratio formula and the equalization clauses of the Constitution. The current scheme also has a series of provisions--such as save harmless and the opportunity to charge to BOCES what otherwise might have been other district operating expenses--which are disequalizing in impact. A special incentive program for innovatice BOCES activities could be developed to encourage continued developmental programs.

Switching to the percentage equalizing formula for all BOCES funding would still provide incentives to districts to participate in BOCES programs. Moreover, educational enrichment and efficiency should be the motivation for participation in BOCES programs and not financial reward.

The withholding of BOCES aid from the Big Five cities is another clear inequity. Special services and computer aid do not provide real parity for the cities. Either BOCES themselves should be created in the Big Five cities or more of the BOCES-type programs should be aided through other formulas. For example, occupational education might be transformed into a weighting or an excess cost program.

Alternative Proposals (A,C)*

The state should retain the current method of aiding districts for expenditures for BOCES programs, with the following changes:

(A) aid for the Big Five cities should be included;

(B) the ceiling on aidable salaries should be eliminated.

For many years, the BOCES aidable salary ceiling was set at $9,500. By 1980-81, over half of the professional personnel statewide were being paid in excess of $20,000 per year (medians of $21,316 for teaching personnel and $27,021 for nonteaching personnel). Limiting BOCES aid only to the first $9,500 of each employee's

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* See voting tally for the three members who only partially endorsed this alternative.

salary was clearly unrealistic. The legislature increased the ceiling to $14,500 for aid payable in 1981-82. However, $14,500 is also unrealistic. State Educational Department salary summaries indicate that somewhere between 75 and 95 percent of all professional personnel are being paid in excess of $14,500.

The current structure of the BOCES aid formula ought to be allowed to apply to all salary expenditures. While increasing the ceiling to the state average (or median) salary is a step in the right direction, it still would leave perhaps 50 percent or more of personnel with salaries in excess of the ceiling. Thus, a large portion of BOCES expenditures would remain wholly the burden of local property taxpayers. Eliminating the ceiling altogether would allow all salary expenditures to be aidable, and so shared by both the state and the local property taxpayer.

BOCES programs have flourished and provided numerous extremely valuable programs and educational opportunities under the current formulas governing their funding. There is no compelling reason to amend these formulas, but adjustments (A) and (B) above would inprove the system.

Rural districts may use the equalizing formula which helps them. Suburban districts, burdened by very high tax rates for support of regular school programs, are aided by the millage formula. The millage formula has resulted in the innovative demonstration activities characteristic of the suburban BOCES. These programs have become great assets to the state and should be encouraged.

MEMBER'S STATEMENT

Transportation Aid

Statement by Corinne W. Stork:

"Districts owning their own vehicles should have the same method of calculating expenses as the districts that lease their vehicles."

SUMMARY OF VOTES: OTHER STATE AID FORMULAS, THE HURD DILEMMA, CIRCUIT BREAKERS AND COST AND IMPLEMENTATION

The chart on the following page presents member votes on the three issues under Other State Aid Formulas and on Hurd, circuit breakers and cost and implementation. Each of the recommendations previously discussed carries a letter code which corresponds to the voting chart.

Tally Totals

III. Other State Aid Formulas
  A. Transportation Aid: A. 19, B. 13.
  B. Building Aid: B. 24, A. 7. (Of the 24 votes for B., two were for just B1, one for B2, one for B2,5, one for B1,2,5 and one for B1,2,3,5.
  C. BOCES Aid: B. 16, A,C. 12, C. 3, A. 1.

IV. Circuit Breakers: D. 8, A. 6, C. 2, B. 1.

V. Hurd: E. 21, A,B,D. 5, A. 4, B. 1.

VI. Cost and Implementation: D. 14, C. 4, A,C,D. 2, A. 1.

SUMMARY OF VOTES

Task Force Member	Transportation Aid	Building Aid	BOCES Aid	Circuit Breakers	Hurd	Cost and Implementation
Rubin, Max J.	B	B	B	A	E	A
Schuler, Raymond T.	B	B125	B	D	E	D
Amlung, Susan	A	B	A,C	A	E	
Barell, Martin C.	B	A	B	C	A	D
Barr, William S.	B	A	B	B	A	D
Best, Wyoma I.	A	B1235	B	D	E	D
Breen, Monsignor Vincent D.	A		B		E	C
Corbett, Raymond R.	A	B	A,C		A,B,D	
DelBello, Alfred B.	A	A	A,C	D	E	D
Dukes, Hazel	A	B	B	A	E	D
Dullea, Henrik N.	B	B	B	D	E	D
Freedman, Irving H.	B	A	B		A	D
Genrich, Willard A.						
Gerber, George	A	A	A,C		A	D
Gray, Edward F.	A	B	A,C		A,B,D	
Griffin, James	A	B	A,C		E	
Hannon, John W., Jr.	B	B	B		A,B,D	
Hobart, Thomas Y., Jr.	A	B	A,C		A,B,D	
Klein, John V. N.	A	A	C	D	E	D
Lawton, C. Mark	B	B1	B		E	A,C,D
Macchiarola, Frank J.	A	B	B		E	C
Manch, Joseph	B	B	B	A	E	
McGuire, Richard	B	B	C			
Miller, Howard F.	B	B1	B	D	E	A,C,D
Murphy, Edward J.	A	A	A,C	D	E	D
Reynolds, Milton L.	A	B	A	C	E	D
Robisch, Edwin J.	B	B	A,C	A	E	D
Samter, Eugene C.	B	B	B		E	
Schiff, Dr. Alvin I.	A	B	B		A,B,D	C
Shanker, Albert	A	B	A,C		E	
Stork, Corinne W.	A	B25	C	D	D	
Thompson, Eris	A	B2	A,C		E	C
Torres, Magdalena	A	B	A,C	A	E	D
Viscardi, Henry, Jr.						

IV. THE HURD DILEMMA: CITY SCHOOL DISTRICTS WITH CONSTITUTIONAL TAX LIMITS

In addition to its charge to develop alternative school finance programs in response to Levittown, the Task Force was requested to submit solutions to the dilemma confronting the state and its cities, because of an outdated constitutional provision limiting the tax levy in city school districts. These limits have imposed severe constraints on school districts in many municipalities; efforts to circumvent them have resulted in several court cases and many ingenious, if faulty, statutes.

Following is a discussion of the Hurd problem and the recommendations of the Task Force.

The state constitution limits the amount of revenue that cities and city school districts may raise for operating purposes. Sixty-one New York cities can levy property taxes in amounts equal to 2 percent of the full value of their taxable property; New York City has a 2.5 percent limit. Originally set by constitutional amendment in 1949 at 1947 levels of taxation, tax limits for city school districts are variable, ranging from 1.25 to 2.00 percent of full value. Capital expenses, however, are not subject to the tax limit. They are financed in whatever amount is necessary, in addition to the levy for operating purposes.

In the late 1960's, many city school districts were experiencing increasing difficulty in balancing revenues and expenditures. In 1969 and 1970, the legislature authorized these jurisdictions to treat pension and social security costs--sometimes representing over 20 percent of operating costs--as capital expenses instead of operating expenses.

The Court of Appeals invalidated this practice in 1974 in Hurd v. City of Buffalo. In response, the state adopted a series of short-term measures to respond to the court ruling and to assist local districts that faced large Hurd related revenue short-fallings. In a series of cases, the court overturned some of these subsequent legislative responses,

and in a 1981 ruling, Central Buffalo Project Corp. v. City of Buffalo, it ordered Buffalo to repay property tax paid in excess of the constitutional limit between 1974-78, a period in which the legislature had authorized the continuation of exclusion despite the 1974 Hurd ruling. The implication of the 1981 decision on the municipal budgets of the 47 city school districts which practiced exclusion during those four years is dramatic.

The state's difficulties with solving the Hurd dilemma have begun to spawn a new generation of urgent Hurd-related problems. But solutions are elusive as the problem is complex and apparently intractable. On the one hand the problem is an artifact of an arbitrary clause in the state constitution. While other crazy-quilt-like tax limits are written into the constitution, those affecting the city school districts are considered the most restrictive and irrational.

Second, as the constitutional tax limitations vary for different city school districts, so do the districts' fiscal behavior and circumstances. Some have Hurd problems and some do not. Among city school districts in cities with populations below 125,000, six did not exercise the exclusion option in any of the nine years it was in effect. Sixteen small city districts exercised exclusion in some years but not in others. Some districts with low tax limits could have financed pension costs without using exclusion had they had a somewhat higher tax limit; others could not have raised sufficient revenue even with the 2 percent maximum limit. In some years districts used exclusion even though they could still have had a positive tax margin without exclusion.

Research conducted for the Task Force sought to identify what caused some city school districts to sustain revenue gaps while others managed to stay well under their constitutional ceilings. Four factors proved to be powerful predictors of Hurd problems. The most powerful was property wealth. The lower a district's property wealth, the more of its taxing power it used. As districts' wealth rose, their use of taxing power declined. The second powerful predictor was the presence of concentrations of students with special educational need, particularly low achieving pupils. The other two significant predictors were state and federal aid. The more external aid districts received, the less of their taxing power they used.

These findings indicated that the Hurd problem is only partially a tax limit problem. While it is true that if there weren't a limit there would not be a problem, it is also true that many districts apparently experienced difficulty

balancing revenues and expenditures because the system of state aid was not sufficiently equalizing. Low wealth districts depend more on state aid than on property tax revenues to finance their expenses. Because many of the districts with the greatest Hurd problem had property wealth slightly above the state average, the advantages of their slightly greater wealth tended to be off-set by the disadvantages of lower levels of state aid.

RECOMMENDATIONS

State solutions to the Hurd problem, then, can bee seen as falling into four general categories: constitutional amendments; state aid reforms; local aid solutions; and transfer of functions. Recommendations are made in the following pages.

It must be recognized that solutions to the tax limitation problem will be difficult to implement, and choices appear to be among the lesser of political anathemas. Each possible approach that will be reviewed sugests a different kind of public resistance. In this light a constitutional amendment may be more acceptable than other equally sound, but more unpopular policy alternatives.

A search for the feasible as well as an awareness of the public's anti-tax and government-spending mood has been a foremost consideration of the Task Force. It also has three other working premises: new policies must be equitable and in conformance with the goals the Task Force is attempting to achieve in response to Levittown. Second, recommendations should introduce greater rationality into state-local relations, moving away from the arbitrary and inequitable nature of the current constitutional tax limitations system.

Finally, the Task Force believes that it cannot recommend only one approach to the solution of the Hurd problem. Several approaches and policies have to be recommended and implemented at once. While long-term solutions are being implemented or further investigated, shorter term solutions must be adopted. Elimination of tax limits, if achieved through passage of a constitutional amendment, would be most desirable. But, it is also clear that in addition to their difficulties with the tax limits, several Hurd-impacted cities are suffering increasingly large losses in wealth base and population. The new census counts and anticipated changes in federal policy will aggravate the cities' problems. Thus, consideration of need and equity must compel the state to adopt new aid policies toward its city school districts.

None of the recommendations discussed in the following paper will fully resolve the Hurd problem.

If a constitutional amendment were to gain passage, or a full-scale county wealth sharing plan were to be implemented, the tax limitation problem would be eliminated. The poorer and more overburdened Hurd districts would still require considerable special assistance from the state.

A modest county wealth sharing plan and major improvements in the current state aid system would aid the Hurd districts, but not assure solution for all districts all years.

The transfer of non-institutional functions to a larger governmental unit also has much to recommend it, but is a long way from implementation.

All proposals have merit; none is adequate, however, to fully solve the problem alone. They therefore should be considered as worthy of pursuit and implementation in combination.*

NOTE: The Hurd study and proposals were developed by a committee of Task Force members, staff and friends of the Task Force. Many of its members have worked on the Hurd problem for years. Research for the committee was conducted by R. Dale Hickam, a former staff member. The committee was originally chaired by Brenda Fraser of Rochester.

Members of the Hurd committee were Edwin Robisch, Chair.; James Burns, Spec. Asst. to Gov.; John Buscemi, NYEA; John Dugan, Dir. Loc. Gov. Affairs, Office of Lieut-Gov.; Burdette Gleason, Supt., Corning-Painted Post; James Griffin, Thomas Hobart, Jr., Robert Lamitie, NYSED; James Lee, Councilman, Binghamton; Amy Plumer; John Polley; Eugene Samter; John Schneider, NYSUT; James Vetro, NYS School Boards; Lois Wilson, NYS Div. of Budget.

*Of the four proposals, one recommendation, the county wealth sharing plan, Proposal C, was not endorsed by four members. See voting tallies.

RECOMMENDATION A:

The state should seek passage of a constitutional amendment which would either eliminate or replace with more flexible provisions the present constitutional limit imposed on city school districts.

Option 1: The tax limits on city school districts should be eliminated altogether and city school districts should vote on school budgets as do all other school districts in the state. The four upstate dependent districts would become independent districts. The New York City school district would be exempted from this amendment and would remain dependent.

Option 2: A city school district would be allowed to exceed its tax limit but upon doing so, it would automatically fall under a constitutional expenditure limit. The expenditure limit would be specified by the legislature, but the constitutional provision might lay out guidelines. For example, the limits might be geared to statewide average growth in spending or an inflation factor, and might be weighted for proportions of special needs students. The New York City school district would be exempted from this amendment and would remain dependent.

Great difficulty would be involved in gaining passage of a constitutional amendment which would eliminate or relax tax limitations in an era when such limitations are being proposed and approved across the country. Nevertheless, New York City's school district constitutional tax limitations are arbitrary and inequitable. They deprive city children of full educational opportunity and confront city school districts with yearly budget crises.

As cities' tax bases and population further erode, their problems will get worse. The constitutional limit compels state and local governments into passing unconstitional, emergency legislation that creates new problems and contributes to increased cynicism towards state government and the law.

Although other remedies to the Hurd problem exist, the city school district tax limits are arbitrary hindrances and should be eliminated. Moreover, other remedies to the Hurd problem are also difficult to implement and none guarantees a comprehensive elimination of the Hurd problem for city school districts. The school finance reforms most likely to be realized, those consequent on the Levittown ruling, do not seem likely to protect all districts against Hurd induced budget gaps. Other reforms may ease Hurd problems. Those which would eliminate the problem, such as a statewide property tax, would likely be as difficult to realize as a constitutional amendment.

The two constitutional amendments recommended here are designed to protect taxpayers in city school districts if the tax limits were eliminated. They are also designed to be simple and specific to the Hurd problem.

New York City is excluded from the amendments for several reasons: the comparatively mammoth size of the New York City school district lends an overwhelming complexity to voting on the school budget; the 260-odd local city revenues would have to be realigned to disentangle the property tax base for the vote; the 2.5 percent limit has not yet been reached, although it well could be soon; the precariousness of the city's finances and the stewardship of the Emergency Finance Control Board further suggest that fundamental changes in local tax policy and governance should not be recommended.

Option 1 replaces tax limits with budget votes. Its advantage is that it treats all school districts alike, placing Hurd districts on equal footing with all others. While voting may provide less protection to the property base than the tax limits, it is a desirable option because it extends a share of decision making to all votes in the local districts.

Option 2 replaces tax limits with spending limits. Three strategies could be explored: the four upstate dependent districts would be granted fiscal independence, a comprehensive municipal spending limit could be developed for the four, or, only that part of the tax levy in excess of the limit, which was attributed to school expenditures, could be permitted and subject to the new spending limitations. In this latter

case the separation and identification of educational expenditures in the municipal budget of the four dependent districts would have to be very explicit.

The granting of fiscal independence to the four upstate large city districts denotes the creation of constitutional tax limits for their boards of education. Based on an examination of current fiscal arrangements in these cities, it is evident that an adequate and reasonably durable local revenue base for school support could be made available if each of the four school districts were given its own constitutional limit of two percent on the property valuation of the city.

The disadvantage of this option is also its advantage. In maintaining the special status of the city school districts, a prejudicial, arbitrary constitutional provision is perpetuated, on the one hand; on the other, limiting the provision just to cities and maintaining the operation of a limit, itself, may be seen as a virtue.

RECOMMENDATION B:

The state should solve the problems of the Hurd-impacted districts directly through the school aid formula.

While it dealt with only four of New York's largest cities, the plaintiffs-intervenors in Levittown successfully argued that the current school aid formula overstates cities' fiscal capacity. Low wealth, high concentrations of special needs students and inadequate state and federal aid were the characteristics most associated with the Hurd problem. Thus the questions of equity and need raised by Levittown and those associated with the Hurd dilemma are similar and suggest similar solutions. Formula changes that seem most valid and pertinent to cities are those that change the measure of school districts' fiscal capacity. Substantial increases in the expenditure ceilings are of course helpful to Hurd districts, but they do not drive proportionately more aid to Hurd districts than to others.

Of the factors which do specifically target aid to Hurd-impacted districts, denominator changes in the fiscal capacity measure are most effective. Being coterminous with cities, most Hurd districts have proportionately fewer students in public school than all other kinds of districts. Thus the present count--a per pupil based on attendance count--inflates the Hurd districts' wealth more than any other measure would. The most powerful source of new aid, then, would be a switch to a per capita count for either income or property. Income per return substantially helps the Hurd cities. When income is based on a per pupil count, whether used additively or multiplicatively, it hurts the Hurd-impacted cities.

Changing the count to membership and increasing student weights also helps the Hurd districts both by giving a more accurate picture of fiscal capacity and by enlarging the student count for the distribution of aid.

Although no single adjustment to the current formula can by itself solve the problems of all Hurd-impacted districts--there being such diversity among city school districts--several can assist and must be part of any solution.

RECOMMENDATION C:*

The state should solve the problems of the Hurd city school districts by developing programs leading to broader tax bases. A county-level tax base should particularly be investigated.

The fundamental source of difficulty for the city school districts suffering from the Hurd problem is their limited tax base. Plans which would expand the tax base for educational purposes have several merits. Many argue that cities do not receive from their surrounding regions the economic, cultural and social advantages that the regions derive from the cities. Cities, often on a shrinking tax base, must provide services used as much by non-residents as by residents. Thus, in addition to the inequities identified in Levittown is this additional urban-suburban equity issue, one which is addressed by expanded tax base plans.

Local wealth sharing plans are also to be recommended because they do not necessarily entail increased expenditures or taxes, but merely a redistribution of existing resources. Because they are implemented on a more local basis--either on the county or regional level--they may be more politically viable than redistribution on the state level.

Two different tax bases may be expanded or reallocated: the real property and the sales tax.

*Four members did not endorse this approach.

If a countywide property tax plan were to be adopted, the shared tax would be considered a state tax and therefore it might not be subject to the constitutional tax limit. Thus all city school districts would basically be freed of their Hurd problem and enabled to finance their schools at current levels within legal tax limits. Additionally, those districts anticipating a deficit would be receiving increases under this plan.

Even if the local property tax were only partially tapped, some movement would be made toward solving the Hurd problem. Although some Hurd-impacted city districts are relatively wealthy with respect to other districts in their counties and would lose a modest amount of aid by a county-wealth sharing plan, the aid generated by the county-tax would not be subject to the tax limitations. A millage rate above 6 for the county-wide tax would be necessary to ensure that the great majority of Hurd districts remain within their tax limitations.

Another approach involving the property tax would be redistribution of the commercial, industrial and utility property revenues at the county, regional or state level. A preliminary review of this suggestion indicated that cities, comparatively enriched by their non-residential properties, would lose a major source of their wealth.

Sales Tax Sharing: The sales tax could provide another source of new local revenue for city school districts, but it would be difficult to solve the Hurd problem by means of the sales tax. Nevertheless, it still may be considered.

Article 29 of the State Tax Law authorizes counties to impose sales and use taxes up to a maximum of three percent, and to share sales tax revenues with school districts. Of the 45 counties that presently levy a sales tax, only six share the proceeds with their school districts: Erie, Livingston, Monroe, Orleans, Sullivan and Wayne. Presently, only four city school districts--Buffalo, Lackawanna, Rochester and Tonawanda benefit from this revenue source.

The local sales tax has become a major local government revenue source and has attracted increased consideration as a source of revenue for funding schools. In 1979-80, it accounted for over 13 percent of all locally imposed taxes. A program that would share in 50 percent of the sales tax growth, for example, would not require creation of a new tax nor require an increase in the sales tax rate. Further, it would not require reductions in present funding levels of other local government programs. Its disadvantage would be that it would not yield much money for the schools. Calculations based on growth in Fiscal Year 1980 suggested that $54.5 million, under one percent of the state's total school spending, could have been raised by this proposal.

Turning to the sales tax would also require the Legislature to intrude significantly into local government affairs. Since 17 counties do not now levy a sales tax, and of the 45 who do, seven levy less than 3 percent, the state would have to mandate substantial changes in local taxing policies. A further criticism of the sales tax is that while dynamically responsive to inflation it is also sensitive to recession, and uneven economic conditions throughout the state.

Another option would be to increase the state sales tax by a percent or half a percent, but to have the increase be redistributed only on the county level and only for school use. A one percentage point increase of the sales tax would yield $530 million for all districts outside New York City. While more lucrative than just sharing in the growth of sales tax revenue, this plan would be difficult to implement at this moment in the state's economic history.

RECOMMENDATION D:

The state should look into the feasibility of transferring certain non-instructional functions to another level of government to seek more efficient systems and to relieve city--and possibly all--school districts of some costs.

The revenue base of the local school district can be relieved if demands upon it are reduced. Moreover, economies of scale might be expected from the delivery of services on a broader governmental basis. Both these conditions would benefit the Hurd districts, but there is a paucity of evidence indicating the degree of benefit. The research required to fill this gap, however, would be extensive and, to a considerable degree, speculative.

In addition to tax relief, a potential benefit of such functional shifts would be greater cost effectiveness of operations. Limited resources for education, human as well as fiscal, could then be focused on the primary task of the schools--instruction.

The little research conducted along these lines has emphasized pupil transportation. The Diefendorf Committee in 1963 and the Fleischmann Commission in 1972 recommended regional administration of pupil transportation, with annual savings estimated at $3 million to $8.5 million. In respect to substantial property tax relief, however, only the Fleischmann Commission's additional recommendation of full state funding of such costs would have been effective.

A state-operated and fully-financed transportation system would provide savings on the purchase of buses and all kinds of economies of scale. It would offer savings on interest paid on bonds and notes issued for bus purchases since the state would undoubtedly use a pay-as-you-go approach to yearly bus purchases. It would result in complete equity of services. The savings due to the elimination

of the present detailed reporting would perhaps be offset by increased state supervisory personnel, although it must be remembered that each district now has transportation supervisory personnel.

There is considerable potential benefit to functional transfers, with the possible savings greatest for transportation among the non-instructional functions. To pursue such a strategy to solve the Hurd problem as well as to improve the efficiency and equity of the school support system would be worthwhile.

V. CIRCUIT BREAKERS

Research conducted for the Task Force on the individual tax burden shouldered for education in New York State suggested a widespread pattern of regressivity. In most New York counties families with incomes below $15,000 paid the greatest portion of that income in taxes. Proportionate taxes on incomes above $15,000 declined until the $30,000 level was reached, with tax percentages thereafter increasing.

This pattern was most severe in the largest downstate metropolitan counties: Nassau, Suffolk, Westchester, Rockland and Putnam. In these counties, not only was there pronounced tax regressivity at low and middle income levels, but taxpayers at all income levels were found to pay a substantially higher percentage of their income in taxes than the statewide average. In Westchester County, for example, a $15,000 income household paid nearly 4 percent of its income in state and local taxes for schools; statewide, $15,000 income households paid only 2.5 percent. A $30,000 income household in Westchester County paid 3 percent of its income in state and local taxes for schools; statewide, a $30,000 income household paid 2 percent.

One way to provide some relief and greater equity for the individual taxpayer is through a circuit breaker program.

The Task Force commissioned a study and analysis of alternative circuit breaker programs, a summary of which follows.

> Low Income Circuit Breakers To Reduce The Property Tax Burden by Peter Birckmayer Charles de Seve, de Seve Economics Associates, Inc.

Circuit breakers are currently in use in twenty-nine states to reduce the property tax burden on certain households. In general, a circuit breaker provides relief in the form of tax credits when property tax payments exceed some portion of household income, thus reducing the regressive element in the tax. New York State

currently has such a circuit breaker, reflecting the judgment of decision makers that tax payments are currently excessive for certain households. Although the property tax burden results from tax levies of many municipalities, not merely school districts, it is possible that educational finance reform will increase property tax burdens in certain areas, or at least leave burdens unchanged in many high-taxed areas.

New York's circuit breaker originated in 1978. It is of the threshold type with relief provided for property tax payments in excess of percentages of income. Such percentages increase as household income increases with benefits currently limited to households with income of no more than $13,500. This maximum will increase to $16,000 in 1982. The current program distinguishes between households with heads 65 and over and other households and gives higher benefits for the former. Benefits are provided to both homeowners and renters. Since the beginning of the program, maximum payments have been increased twice and eligibility has been extended to higher income levels. Current cost of the program is approximately $30-35 million and will increase in 1982. Thus, the current circuit breaker program is approaching significant cost levels.

Any extension of a circuit breaker in connection with educational finance reform must build on the existing circuit breaker. Property taxes used to finance education average slightly over 50 percent of the total property tax levy in both New York City and in the remainder of the State. Thus, the option exists, if a circuit breaker were to be expanded, to relate it only to property taxes for educational purposes. Given the high percentage of property taxes devoted to education however, the argument for restricting an expanded circuit breaker only to these taxes would appear to be somewhat weak and more difficult to administer.

The Simulation Results

The central policy questions involving circuit breakers relate to the desired form of property tax redistribution. Two dimensions of redistribution can be identified: across income groups and across regions of

the state. Simulations were performed using county data, making it possible to examine both dimensions for a circuit breaker aiding both homeowners and renters.

The simulations explore the two main financing methods, state-financed and county-financed and test two threshold specifications. Thus, both redistribution of income across income groups and across geographical regions is explored. In the simulations, aid is provided to households with incomes up to $25,000. In the county-financed simulation, the aid threshold is the average ratio of property taxes for education to income in the county. For state-financed breakers, two simulations are compared: the first uses a single statewide threshold set at the average property tax for education to income ratio for the state as a whole. The second uses the averages for the individual counties. This set of simulations is sufficient to answer the most compelling questions about circuit breakers which confront the Task Force. They have been selected to demonstrate the income and geographical redistribution from the important policy choices.

In effect, the circuit breakers used in the simulations are designed to eliminate regression up to income levels of $25,000. Regression may remain above that level and regression from non-property taxes may remain at lower levels.

The results of these simulations are extremely interesting.

1. As expected, they show that the circuit breaker will eliminate the regressive feature of property taxes if one looks at property taxes in isolation from the mode of financing the circuit breaker. But that is not enough. Other taxes may swamp the benefits of the property tax relief and geographical redistributions may have extreme consequences.

2. State-financed circuit breakers will create redistributions of tax to the New York suburban counties--Nassau, Putnam, Rockland, Suffolk and Westchester. Redistribution is

measured by comparing the inflow of circuit breaker aid to a county to the outflow of state taxes from the county necessary to finance the statewide circuit breaker aid. New York City and many upstate counties will show a net loss in the aggregate for any circuit breaker which uses a single statewide schedule of aid thresholds. However, net flows to or from New York City are particularly sensitive to the computation of property tax equivalents for renters.

3. State-financed circuit breakers which use multiple schedules based upon mean tax rates in each county will mitigate the geographical redistribution by producing net inflows to a number of upstate counties. New York Suburban counties will still gain while New York City will lose. Multiple schedules are difficult to administer. Particularly troublesome is the calculation and updating of mean county tax rates.

4. County-financed circuit breakers can eliminate gross geographical redistribution by limiting the geographical adjustments to school districts within the county.

5. County-financed circuit breakers may actually raise property taxes for large numbers of low to middle income households who fall below the aidable thresholds, but must bear an overall increase in county taxes to finance circuit breaker aid. This is also true in low tax counties for state-financed circuit breakers.

6. The use of an income maximum of $25,000 has an interesting consequence in high tax counties such as Nassau and Suffolk. In a state-financed circuit breaker using the state mean rate, a "notch" is created where households with incomes immediately above $25,000 pay substantially higher tax rates than households immediately below $25,000. This can be

mitigated by extending income eligibility to higher income levels using progressively higher tax rate thresholds. However, this increases the total cost and increases the burden on low and middle income households in poorer counties.

7. A state-financed circuit breaker to eliminate property tax regressivity for taxpayers with incomes below $25,000 would have cost $305 million in 1980. This would have provided a 100 percent rebate of all school property taxes above the state mean of 2.6 percent of income. (Note the problems mentioned earlier.)

8. A state-financed multiple county schedule which rebated 100 percent of all school taxes above each county's mean tax rate on income would have cost $176 million in 1980. (Note the problems mentioned earlier.)

Implications for Policy

As noted, the simulations explore the most basic policy questions in the design of the circuit breaker: the desired income redistribution across income groups and the desired income redistribution between geographical areas. Two extremes of geographical redistribution are explored: within the small geographical unit of a county and within the large geographical unit of the state. Because tax levels differ between counties, county-only redistribution leaves low income taxpayers in high tax counties with substantially higher tax burdens than low income taxpayers in low tax counties. At the other extreme, with state redistribution, tax burdens are lowered for low income taxpayers in high tax counties at the cost of raising burdens on lower income taxpayers in low tax counties. Circuit breaker costs are large. The state-financed circuit breaker with statewide redistribution costs in excess of $300 million.

It is important to realize that these simulations were performed using existing tax rates. The results would change if reform in educational finance resulted in the change in tax burdens for any taxpayers. The consequences of this can be described, however, in two limiting cases. If reform resulted only in tax increases in what are currently low tax areas, and decreases in

taxes for taxpayers in current high tax areas, the cost of a statewide circuit breaker would be reduced. However, if reform were to increase taxes in current high tax areas, such as the New York suburban counties, the total cost of a statewide circuit breaker would be substantially increased in order to achieve the same redistribution as in the simulations.

The conclusion is inescapable that a circuit breaker program that would provide substantial redistribution would do so only at a substantial cost. Thus, in the context of educational finance reform, additional state or local taxes to finance a circuit breaker must be examined in relation to the additional costs of a reform package.

RECOMMENDATIONS

A majority of Task Force members recommend:

RECOMMENDATION D:

> The current circuit breaker program, which provides relief in the form of tax credits when property tax payments exceed some portion of household income, should be continued.

The Task Force is generally supportive of the concept of circuit breakers and recognizes their value as a mechanism for providing individual tax relief to low income householders. The Task Force felt, however, that it was inappropriate for it to recommend changes in the state's taxation policies that were not directly related to the Levittown case.

A circuit breaker does not provide direct funding for education. Yet, a circuit breaker large enough to provide significant tax relief represents a major cost,* reducing funds available for other options. Moreover, the

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*It would cost approximately $300 million to eliminate regressivity in the property tax system for property owners with under $25,000 in income, when the definition of regressive is having a larger than average ratio of property taxation for education to income based on statewide averages. This would provide a 100 percent rebate of all school property taxes above the state mean of 2.6 percent of income. (Calculations are for 1980.)

It would cost approximately $176 million in 1980 to eliminate regressivity for property owners with under $25,000 in income when the definition of regressive is having a larger than average ratio of property taxation for education to income based on countywide averages.

public is likely to perceive an expanded circuit breaker as property tax relief rather than educational finance reform. Demand for additional education aid would not be reduced.

A minority voted to include the circuit breaker as part of educational reform and proposed:

Alternative Proposal (A)

> The current circuit breaker program, which provides relief in the form of tax credits when property tax payments exceed some portion of household income, should be expanded.

A revised school aid package could well include the elimination or reduction of state aid to wealthier districts, many of which already have high rates, resulting in higher tax rates in those districts. It could also include the requirement that low wealth districts make greater tax efforts than they currently do. In both cases, low income residents would be more burdened than they already are by the regressive property tax. Thus, a circuit breaker program which would protect the low income resident takes on a greater importance and should be implemented.

Two members believe the circuit breaker program should be based only on property taxes for education (Proposal C). One member recommends a county-financed circuit breaker (Proposal B).

SUMMARY OF VOTES

V. OTHER STATE AID FORMULAS

Task Force Member	Transportation Aid	Building Aid	BOCES Aid	Circuit Breakers	Hurd	Cost and Implementation
Rubin, Max J.	B	B	B	A	E	A
Schuler, Raymond T.	B	B125	B	D	E	D
Amlung, Susan	A	B	A,C	A	E	
Barell, Martin C.	B	A	B	C	A	D
Barr, William S.	B	A	B	B	A	D
Best, Wyoma I.	A	B 1235	B	D	E	D
Breen, Monsignor Vincent D.	A	B	B		E	C
Corbett, Raymond R.	A	B	A,C		A,B,D	
DelBello, Alfred B.	A	A	A,C	D	E	D
Dukes, Hazel	A	B	B	A	E	D
Dullea, Henrik N.	B	B	B	D	E	D
Freedman, Irving H.	B	A	B		A	D
Genrich, Willard A. (absent)						
Gerber, George	A	A	A,C		A	D
Gray, Edward F.	A	B	A,C		A,B,D	
Griffin, James	A	B	A,C		E	
Hannon, John W., Jr.	B	B	B		A,B,D	
Hobart, Thomas Y., Jr.	A	B	A,C		A,B,D	
Klein, John V. N.	A	A	C	D	E	D
Lawton, C. Mark	B	B1	B		E	A,C,D
Macchiarola, Frank J.	A	B	B		E	C
Manch, Joseph	B	B	B	A	E	
McGuire, Richard	B	B	C			
Miller, Howard F.	B	B1	B	D	E	A,C,D
Murphy, Edward J.	A	A	A,C	D	E	D
Reynolds, Milton L.	A	B	A	C	E	D
Robisch, Edwin J.	B	B	A,C	A	E	D
Samter, Eugene C.	B	B	B		E	
Schiff, Dr. Alvin I.	A	B	B		E	C
Shanker, Albert	A	B	A,C		E	
Stork, Corinne W.	A	B	C	D	D	
Thompson, Eris	A	B	A,C		E	C
Torres, Magdalena	A	B	A,C	A	E	D
Viscardi, Henry, Jr. (absent)						

APPENDIX

FORMULA FOR MUNICIPAL OVERBURDEN ADJUSTMENT USING POVERTY CONCENTRATION AND NON-SCHOOL TAX RATE FACTORS

The Adjustment to the Fiscal Capacity Measure of the Operating Aid Formula:

$$\left[\frac{\text{District Full Value Property Per Pupil}}{\text{State Average Full Value Property Per Pupil}}\right]\left[\text{The Average of: (Non-School Tax Rate Adjustment + Poverty Adjustment)}\right] \times \left[\frac{\text{District Income Per Capita}}{\text{State Average Income Per Capita}}\right]$$

The municipal overburden adjustment is applied only to the Full Value per Pupil portion of the fiscal capacity measure.

The Calculation of the Components of the Municipal Overburden Factor:

1. Non-School Tax Rate Adjustment

   A. $\text{Non-School Tax Rate Ratio} = \frac{\text{District Non-School Tax Rate}}{\text{State Average Non-School Tax Rate (Excluding New York City)}}$

   B. Weight assigned to each district non-school tax ratio

Non-School Tax Rate Ratio	Proportionate Decrease in Property Wealth Measure
Less than 1.20	No adjustment
1.20 - 1.50	(1.5 - 1.2)(0.4) = .12
1.50 - 1.70	(1.7 - 1.5)(0.3) = .06 + .12
More than 1.70	(ratio - 1.70)(0.1) = x + .18

2.* Poverty Adjustment =

$$1 - \left[1.20 - \left(\frac{\text{(District Estimated Percent Poverty)}}{\text{State Average Estimate Percent Poverty Excluding New York City}}\right)(.2)\right]$$

3. $\frac{\text{Non-School Tax Ratio + Poverty Adjustment Ratio}}{2}$

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* No district would have a value greater than .25

APPENDIX

ALTERNATIVE COST OF LIVING INDICES BASED ON ALL PUBLIC EMPLOYMENT WAGES 1977

Region and County	Ratio/ Simple State Average $10,700	Ratio/ Weighted State Average $13,000
New York City	1.31	1.08
NASSAU-SUFFOLK		
Nassau	1.32	1.09
Suffolk	1.32	1.09
MID-HUDSON		
Dutchess	1.15	0.95
Orange	1.06	0.87
Putnam	1.30	1.07
Rockland	1.33	0.79
Sullivan	0.92	0.75
Ulster	1.01	0.83
Westchester	1.32	1.09
UPPER-HUDSON		
Albany	0.90	0.74
Columbia	0.91	0.75
Fulton	0.98	0.81
Greene	0.91	0.75
Montgomery	0.95	0.78
Rensselaer	0.96	0.79
Saratoga	0.98	0.81
Schenectady	1.09	0.90
Schoharie	0.87	0.72

Source: U.S. Bureau of the Census, 1977 Census of Governments, County Government Series, Index based on Table 16, Local Government Employment and Payrolls in Individual County Areas, October 1977.

Alternative Cost of Living Indices Based on
All Public Employment Wages, 1977

Region and County	Ratio/ Simple State Average $10,700	Ratio/ Weighted State Average $13,000
LAKE GEORGE-CHAMPLAIN		
Clinton	.98	.80
Essex	.85	.70
Hamilton	.84	.69
Warren	.99	.81
Washington	1.00	.82
BLACK RIVER-ST. LAWRENCE		
Franklin	.93	.77
Jefferson	1.00	.83
Lewis	.86	.71
St. Lawrence	.90	.74
UPPER-MOHAWK		
Herkimer	.84	.70
Oneida	.95	.78
CENTRAL		
Cayuga	1.00	.82
Cortland	.97	.80
Madison	.89	.80
Onondaga	1.02	.84
Oswego	.94	.77

Alternative Cost of Living Indices Based on
All Public Employment Wages, 1977

Region and County	Ratio/ Simple State Average $10,700	Ratio/ Weighted State Average $13,000
SOUTHERN TIER EAST		
Broome	.93	.75
Chenango	.92	.76
Delaware	.98	.71
Otsego	.90	.74
Tioga	.97	.80
Tompkins	.91	.75
SOUTHERN TIER CENTRAL		
Chemung	.98	.80
Schuyler	.90	.73
Steuben	.97	.80
SOUTHERN TIER WEST		
Allegany	.87	.71
Cattaraugus	.95	.77
Chautauqua	1.03	.82
GENESEE-FINGER LAKES		
Genesee	1.05	.86
Livingston	.97	.80
Monroe	1.23	1.01
Ontario	1.03	.84
Orleans	.90	.74
Seneca	.90	.75
Wayne	1.00	.82
Yates	.97	.80

Alternative Cost of Living Indices Based on
All Public Employment Wages, 1977

Region and County	Ratio/ Simple State Average $10,700	Ratio/ Weighted State Average $13,000
WESTERN		
Erie	1.14	.94
Niagara	1.12	.93
Wyoming	.92	.82

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